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Roy Wenzlick
Editor

A concise easily digested periodic analysis based upon scientific research in real estate fundamentals and trends....Constantly measuring and reporting the basic economic factors responsible for changes in trends and values.....Current Studies.... Surveys....Forecasts

VOLUME XII

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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

POPULATION CHANGES DURING THE PAST YEAR AFFECTING REAL ESTATE

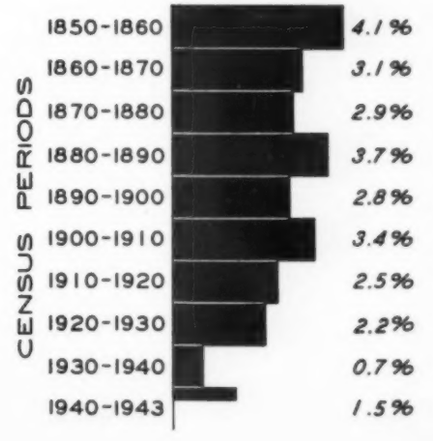
THE Bureau of the Census has now released the population figures for all metropolitan areas in the United States as of March 1, 1943. These figures in a great many cases show radical changes over the figures for May 1942, indicating that many communities have reversed their population trends materially in this period. The new figures for civilian population for all metropolitan areas are shown in detail on pages 266, 267 and 268 in this report. The figures for May 1, 1942, were shown on pages 368, 369 and 370 in the Real Estate Analyst of December 30, 1942.

The cities which have shown the greatest change in trend during the past year are Bridgeport, Chattanooga, Chicago, Detroit, Fort Wayne, Hartford, Memphis, Miami, Milwaukee, Nashville, New Haven, Oklahoma City, Peoria, Spokane, Tampa, Trenton and Wilmington.

The chart in the lower right hand corner shows the typical annual rates of growth of metropolitan counties for each decade from 1850 to 1940 and for the period from April 1, 1940, to March 1, 1943. The charts on the spread in this report show 80 metropolitan areas charted from 1850 to the present on the basis of the rate at which each exceeded or lagged the average rate for all metropolitan areas during the same period. A red bar on this chart with "50" below it indicates that in that period that metropolitan area was growing 50% slower than the average of all metropolitan areas in the same period.

Cities charted with a black bar from 1940 to 1943 have bettered their position in relation to the average; all those shown in red have declined on the basis of the national picture. Compare the charts in this report with those in the Real Estate Analyst of March 25. The changes brought about by the additional year are startling in many cities. For example from 1940 to May 1, 1942, Oklahoma City was growing 552% slower than the average metropolitan county. This report shows that from April 1, 1940, .to March 1, 1943, the rate of growth in Oklahoma City exceeded the average rate by 93%. Apparently in the period from May 1942 to March 1943, Oklahoma City was regaining lost ground at a tremendous rate.

TYPICAL AVERAGE ANNUAL RATE OF GROWTH OF METROPOLITAN COUNTIES 1850–1942



PRELIMINARY ESTIMATES OF THE CIVILIAN POPULATION OF SELECTED METROPOLITAN COUNTIES: MARCH 1, 1943, WITH COMPARATIVE FIGURES FOR APRIL 1, 1940

Metropolitan district and counties	Estimated civilian population, March 1, 1943	Estimated civilian population, April 1, 1940	Estimated change between April 1, 1940, and March 1, 1943		Total population April 1, 1940
			Number	Percent	
TOTAL (137 areas)	68,467,329	66,885,729	+1,691,600	+2.5	66,967,482
Akron (Summit Co., Ohio)	361,598	339,405	+22,193	+6.5	339,405
Albany-Schenectady-Troy (Albany, Rensselaer, and Schenectady Cos., N. Y.)	441,043	465,500	-24,457	-5.3	465,643
Allentown-Bethlehem-Easton (Lehigh and Northampton Cos., Pa.)	345,012	346,492	-1,480	-0.4	346,492
Altoona (Blair Co., Pa.)	129,566	140,358	-10,792	-7.7	140,358
Amarillo (Potter Co., Tex.)	57,643	54,265	+3,378	+6.2	54,265
Asheville (Buncombe Co., N. C.)	98,208	108,755	-10,547	-9.7	108,755
Atlanta (De Kalb and Fulton Cos., Ga.)	523,666	477,261	+46,405	+9.7	479,828
Atlantic City (Atlantic Co., N. J.)	106,505	124,037	-17,532	-14.1	124,066
Augusta (Richmond Co., Ga.)	87,856	81,337	+6,519	+8.0	81,863
Austin (Travis Co., Tex.)	112,059	111,053	+1,006	+0.9	111,053
Baltimore (Baltimore City, Anne Arundel and Baltimore Cos., Md.)	1,193,089	1,073,221	+119,868	+11.2	1,083,300
Beaumont-Port Arthur (Jefferson Co., Tex.)	174,040	145,296	+28,744	+19.8	145,329
Binghamton (Broome Co., N. Y.)	162,083	165,749	-3,666	-2.2	165,749
Birmingham (Jefferson Co., Ala.)	485,724	459,930	+25,794	+5.6	459,930
Boston (Essex, Middlesex, Norfolk, Plymouth, and Suffolk Cos., Mass.)	2,715,851	2,821,477	-105,626	-3.7	2,824,955
Bridgeport (Fairfield Co., Conn.)	434,612	418,384	+16,228	+3.9	418,384
Buffalo-Niagara (Erie and Niagara Cos., N..Y.)	965,608	957,677	+7,931	+0.8	958,487
Canton (Stark Co., Ohio)	242,474	234,887	+7,587	+3.2	234,887
Cedar Rapids (Linn Co., Iowa)	87,417	89,142	-1,725	-1.9	89,142
Charleston, S. C. (Charleston Co., S. C.)	148,482	117,694	+30,788	+26.2	121,105
Charleston, W. Va. (Kanawha Co., W. Va.)	210,823	195,368	+15,455	+7.9	195,619
Charlotte (Meckleburg Co., N. C.)	146,694	151,826	-5,132	-3.4	151,826
Chattanooga (Hamilton Co., Tenn.; Walker Co., Ga.)	218,272	211,334	+6,938	+3.3	211,502
Chicago (Cook, Du Page, and Lake Cos., Ill.; Lake Co., Ind.)	4,542,579	4,574,692	-32,113	-0.7	4,581,111
Cincinnati (Hamilton Co., Ohio; Dearborn Co., Ind.; Campbell and Kenton Cos., Ky.)	852,473	808,156	+44,317	+5.5	810,097
Cleveland (Cuyahoga Co., Ohio)	1,189,088	1,216,859	-27,771	-2.3	1,217,250
Columbia (Richland Co., S. C.)	120,432	104,839	+15,593	+14.9	104,843
Columbus, Ga. (Muscogee Co., Ga.; Russell Co., Ala.)	140,077	111,269	+28,808	+25.9	111,269
Columbus, Ohio (Franklin Co., Ohio)	414,996	387,644	+27,352	+7.1	388,712
Corpus Christi (Nueces Co., Tex.)	121,901	92,644	+29,257	+31.6	92,661
Dallas (Dallas Co., Tex.)	443,368	398,471	+44,897	+11.3	398,564
Davenport (Iowa), Rock Island-Moline (Ill.),(Scott Co., Iowa; Rock Island Co., Ill.)	201,722	197,673	+4,049	+2.0	198,071
Dayton (Montgomery Co., Ohio)	343,148	295,480	+47,668	+16.1	295,480
Decatur (Macon Co., Ill.)	84,697	84,693	+4	-	84,693
Denver (Arapahoe, Denver, and Jefferson Cos., Colo.)	404,820	381,267	+23,553	+6.2	385,287
Des Moines (Polk Co., Iowa)	191,528	194,575	-3,047	-1.6	195,835
Detroit (Macomb, Oakland, and Wayne Cos., Mich.)	2,554,301	2,373,823	+180,478	+7.6	2,377,329
Duluth (Minn.), Superior (Wis.), (St. Louis Co., Minn.; Douglas Co., Wisc)	228,553	253,986	-25,433	-10.0	254,036
Durham (Durham Co., N. C.)	84,508	80,244	+4,264	+5.3	80,244
El Paso (El Paso Co., Tex.)	135,885	125,868	+10,017	+8.0	131,067
Erie (Erie Co., Pa.)	186,785	180,813	+5,972	+3.3	180,889
Evansville (Vanderburgh Co., Ind.; Henderson Co., Ky.)	170,702	157,766	+12,936	+8.2	157,803
Fall River-New Bedford (Bristol Co., Mass.)	356,614	364,604	-7,990	-2.2	364,637
Flint (Genesee Co., Mich.)	225,001	227,944	-2,943	-1.3	227,944
Fort Wayne (Allen Co., Ind.)	157,239	155,084	+2,155	+1.4	155,084
Fort Worth (Tarrant Co., Tex.)	255,821	225,521	+30,300	+13.4	225,521
Fresno (Fresno Co., Calif.)	167,369	178,565	-11,196	-6.3	178,565
Galveston (Galveston Co., Tex.)	98,336	79,798	+18,538	+23.2	81,173
Grand Rapids (Kent Co., Mich.)	231,755	246,338	-14,583	-5.9	246,338
Hamilton-Middletown (Butler Co., Ohio)	124,230	120,249	+3,981	+3.3	120,249
Harrisburg (Dauphin Co., Pa.)	170,691	176,952	-6,261	-3.5	177,410
Hartford-New Britain (Hartford and Middlesex Cos., Conn.)	531,810	506,188	+25,622	+5.1	506,188
Houston (Harris Co., Tex.)	587,130	528,961	+58,169	+11.0	528,961
Huntington (W. Va.)-Ashland (Ky.) (Cabell Co., W. Va.; Boyd Co., Ky.; Lawrence Col, Ohio)	177,420	190,102	-12,682	-6.7	190,102
Indianapolis (Marion Co., Ind.)	497,211	457,591	+39,620	+8.7	460,926
Jackson (Hinds Co., Miss.)	115,513	107,273	+8,240	+7.7	107,273
Jacksonville (Duval Co., Fla.)	252,360	210,143	+42,217	+20.1	210,143
Johnstown (Cambria Co., Pa.)	193,099	213,459	-20,360	-9.5	213,459
Kalamazoo (Kalamazoo Co., Mich.)	101,035	100,060	+975	+1.0	100,085
Kansas City (Mo.)-Kansas City (Kans.)(Jackson Co., Mo.; Johnson and Wyandotte Cos., Kans.)	686,603	656,225	+30,378	+4.6	656,226
Knoxville (Knox Co., Tenn.)	186,380	178,468	+7,912	+4.4	178,468
Lancaster (Lancaster Co., Pa.)	175,490	212,504	-37,014	-17.4	212,504
Lansing (Ingham Co., Mich.)	123,285	130,616	-7,331	-5.6	130,616
Lincoln (Lancaster Co., Nebr.)	95,580	100,585	-5,005	-5.0	100,585
Little Rock (Pulaski Co., Ark.)	170,649	156,020	+14,629	+9.4	156,085
Los Angeles (Los Angeles and Orange Cos., Calif.)	3,105,503	2,913,758	+191,745	+6.6	2,916,403

(A minus sign (-) denotes decrease. Percent not shown where less than 0.1)

PRELIMINARY ESTIMATES OF THE CIVILIAN POPULATION OF SELECTED METROPOLITAN COUNTIES: MARCH 1, 1943, WITH COMPARATIVE FIGURES FOR APRIL 1, 1940

Metropolitan district and counties	Estimated civilian population, March 1, 1943	Estimated civilian population, April 1, 1940	Estimated change between April 1, 1940, and March 1, 1943		Total population April 1, 1940
			Number	Percent	
Louisville (Jefferson Co., Ky.; Clark and Floyd Cos., Ind.)	501,649	451,350	+50,299	+11.1	451,473
Macon (Bibb Co., Ga.)	97,240	83,783	+13,457	+16.1	83,783
Madison Dane Co., Wix.)	135,072	130,660	+4,412	+3.4	130,660
Manchester (Hillsborough Co., N. H.)	136,737	144,888	-8,151	-5.6	144,888
Memphis (Shelby Co., Tenn.)	383,078	358,151	+24,927	+7.0	358,250
Miami (Dade Co., Fla.)	300,043	267,739	+32,304	+12.1	267,739
Milwaukee (Milwaukee Co., Wis.)	770,258	766,769	+3,489	+0.5	766,885
Minneapolis-St. Paul (Anoka, Hennepin, Ramsey, and Washington Cos., Minn.)	909,855	924,433	-14,578	-1.6	927,707
Mobile (Mobile Co., Ala.)	217,072	141,515	+75,557	+53.4	141,974
Montgomery (Montgomery Co., Ala.)	116,619	111,428	+5,191	+4.7	114,420
Nashville (Davidson Co., Tenn.)	266,362	257,267	+9,095	+3.5	257,267
New Haven (New Haven,Co., Conn.)	485,605	484,316	+1,289	+0.3	484,316
New Orleans (Jefferson and Orleans Parishes, La.)	581,090	544,510	+36,580	+6.7	544,964
New York-Northeastern New Jersey (Bronx, Kings, Nassau, New York, Queens, Richmond, Rockland, and Westchester Cos., N. Y.; Bergen, Essex, Hudson, Middlesex, Monmouth, Morris, Passaic, and Union Cos., N. J.)	11,087,990	11,524,018	-436,028	-3.8	11,550,332
Norfolk-Portsmouth-Newport News(Hampton, Newport News, Norfolk, Portsmouth, and South Norfolk cities; and Elizabeth City, Norfolk, Princess Anne, and Warwick Cos., Va.)	457,362	321,560	+135,802	+42.2	343,423
Oklahoma City (Oklahoma Co., Okla.)	265,490	244,159	+21,331	+8.7	244,159
Omaha (Nebr.)-Council Bluffs (Iowa)(Douglas Co., Nebr.; Pottawattamie Co., Iowa)	306,061	313,442	-7,381	-2.4	314,318
Peoria (Peoria and Tazewell Cox., Ill.)	201,156	211,736	-10,580	-5.0	211,736
Philadelphis (Delaware, Montgomery, and Philadelphia Cos., Pa; Burlington, Camden, and Gloucester Cos., N. J.)	2,973,730	2,953,124	+20,606	+0.7	2,956,296
Phoenix (Maricopa Co., Ariz.)	206,736	186,193	+20,543	+11.0	186,193
Pittsburgh (Allegheny, Fayette, Washington, and Westmoreland Cos., Pa.)	2,114,935	2,126,769	-11,834	-0.6	2,126,801
Portland, Maine (Cumberland Co., Maine)	157,446	143,686	+13,760	+9.6	146,000
Portland, Oreg. (Clackamas and Multnomah Cos., Oreg.)	491,510	412,229	+79,281	+19.2	412,229
Providence (Bristol, Kent, Newport and Providence Cos., R. I.)	664,696	676,389	-11,693	-1.7	680,853
Pueblo (Pueblo Co., Colo.)	73,579	68,870	+4,709	+6.8	68,870
Racine-Kenosha (Kenosha and Racine Cos., Wis.)	152,727	157,470	-4,743	-3.0	157,552
Reading (Berks Co., Pa.)	225,317	241,884	-16,567	-6.8	241,884
Richmond (Richmond City, Henrico Co., Va.)	243,975	235,002	+8,973	+3.8	235,002
Roanoke (Roanoke City, Roanoke Co., Va.)	109,386	112,184	-2,798	-2.5	112,184
Rochester (Monroe Co., N. Y.)	419,141	438,188	-19,047	-4.3	438,230
Rockford (Winnebago Co., Ill.)	122,863	121,115	+1,748	+1.4	121,178
Sacramento (Sacramento Co., Calif.)	179,739	169,770	+9,969	+5.9	170,333
Saginaw-Bay City (Bay and Saginaw Cos., Mich.)	202,505	205,449	-2,944	-1.4	205,449
St. Joseph (Buchanan Co., Mo.)	80,712	94,067	-13,355	-14.2	94,067
St. Louis (St. Louis City, St. Charles and St. Louis Cos., Mo; Madison and St. Clair Cos., Ill.)	1,504,407	1,429,443	+74,964	+5.2	1,432,088
Salt Lake City (Salt Lake Co., Utah)	232,890	211,085	+21,805	+10.3	211,623
San Antonio (Bexar Co., Tex.)	412,176	315,800	+96,376	+30.5	338,176
San Diego (San Diego Co., Calif.)	379,719	276,079	+103,640	+37.5	289,348
San Francisco-Oakland (Alameda, Contra Costa, Marin, San Francisco, San Mateo, and Solano Cos., Calif.)	1,701,657	1,447,378	+254,279	+17.6	1,461,804
San Jose (Santa Clara Co., Calif.)	180,334	172,301	+8,033	+4.7	174,949
Savannah (Chatham Co., Ga.)	138,460	116,412	+22,048	+18.9	117,970
Scranton--Wilkes-Barre (Lackawanna and Luzerne Cos., Pa.)	615,808	742,761	-126,953	-17.1	742,761
Seattle (King Co., Wash.)	606,308	503,353	+102,955	+20.5	504,980
Shreveport (Caddo Parish, La.)	132,463	150,203	-17,740	-11.8	150,203
Sioux City (Woodbury Co., Iowa)	94,797	103,627	-8,830	-8.5	103,627
South Bend (St. Joseph Co., Ind.)	165,645	161,823	+3,822	+2.4	161,823
Spokane (Spokane Co., Wash.)	169,217	162,620	+6,597	+4.1	164,652
Springfield, Ill. (Sangamon Co., Ill.)	115,232	117,912	-2,680	-2.3	117,912
Springfield, Mo. (Greene Co., Mo.)	87,445	90,541	-3,096	-3.4	90,541
Springfield, Ohio (Clark Co., Ohio)	98,621	95,647	+2,974	+3.1	95,647
Springfield-Holyoke, Mass. (Hampden and Hampshire Cos., Mass.)	395,774	404,509	-8,735	-2.2	404,568
Stockton (San Joaquin Co., Calif.)	137,680	134,207	+3,473	+2.6	134,207
Syracuse (Onondaga Co., N. Y.)	267,279	295,108	-27,829	-9.4	295,108
Tacoma (Pierce Co., Wash.)	205,177	173,262	+31,915	+18.4	182,081
Tampa-St. Petersburg (Hillsborough and Pinellas Cos., Fla.)	307,092	272,000	+35,092	+12.9	272,000
Terre Haute (Vigo Co., Ind.)	96,302	99,709	-3,407	-3.4	99,709
Toledo (Lucas Co, Ohio)	325,789	344,333	-18,544	-5.4	344,333
Topeka (Shawnee Co., Kans.)	85,957	91,247	-5,290	-5.8	91,247
Trenton (Mercer Co., N. J.)	195,768	197,318	-1,550	-0.8	197,318
Tulsa (Tulsa Co., Okla.)	208,119	193,363	+14,756	+7.6	193,363
Utica-Rome (Herkimer and Oneida Cos., N. Y.)	255,879	263,163	-7,284	-2.8	263,163
Waco (McLennan Co., Tex.)	109,381	101,898	+7,483	+7.3	101,898
Washington,D. C. (District of Columbia; Montgomery and Prince Georges Cos., Md.; Alexandria city and Arlington Co., Va.)	1,181,347	919,632	+261,715	+28.5	927,056
Waterloo (Black Hawk Co., Iowa)	77,392	79,946	-2,554	-3.2	79,946

(A minus sign (-) denotes decrease. Percent not shown where less than 0.1)

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Metropolitan district and counties	Estimated civilian population, March 1, 1943	Estimated civilian population, April 1, 1940	Estimated change between April 1, 1940, and March 1, 1943		Total population April 1, 1940
			Number	Percent	
Wheeling (Brooke, Marshall, and Ohio Cos., W. Va.; Belmont Co., Ohio)	211,070	234,431	-23,361	-10.0	234,431
Wichita (Sedgewick Co., Kans.)	189,910	143,311	+46,599	+32.5	143,311
Wilmington (New Castle Co., Del.)	187,646	178,483	+9,163	+5.1	179,562
Winston-Salem (Forsyth Co., N. C.)	115,858	126,475	-10,617	-8.4	126,475
Worcester (Worcester Co., Mass.)	476,229	503,481	-27,252	-5.4	504,470
York (York,Co., Pa.)	176,039	177,971	-1,932	-1.1	178,022
Youngstown (Mahoning and Trumbull Cos., Ohio)	363,875	372,566	-8,691	-2.3	372,566

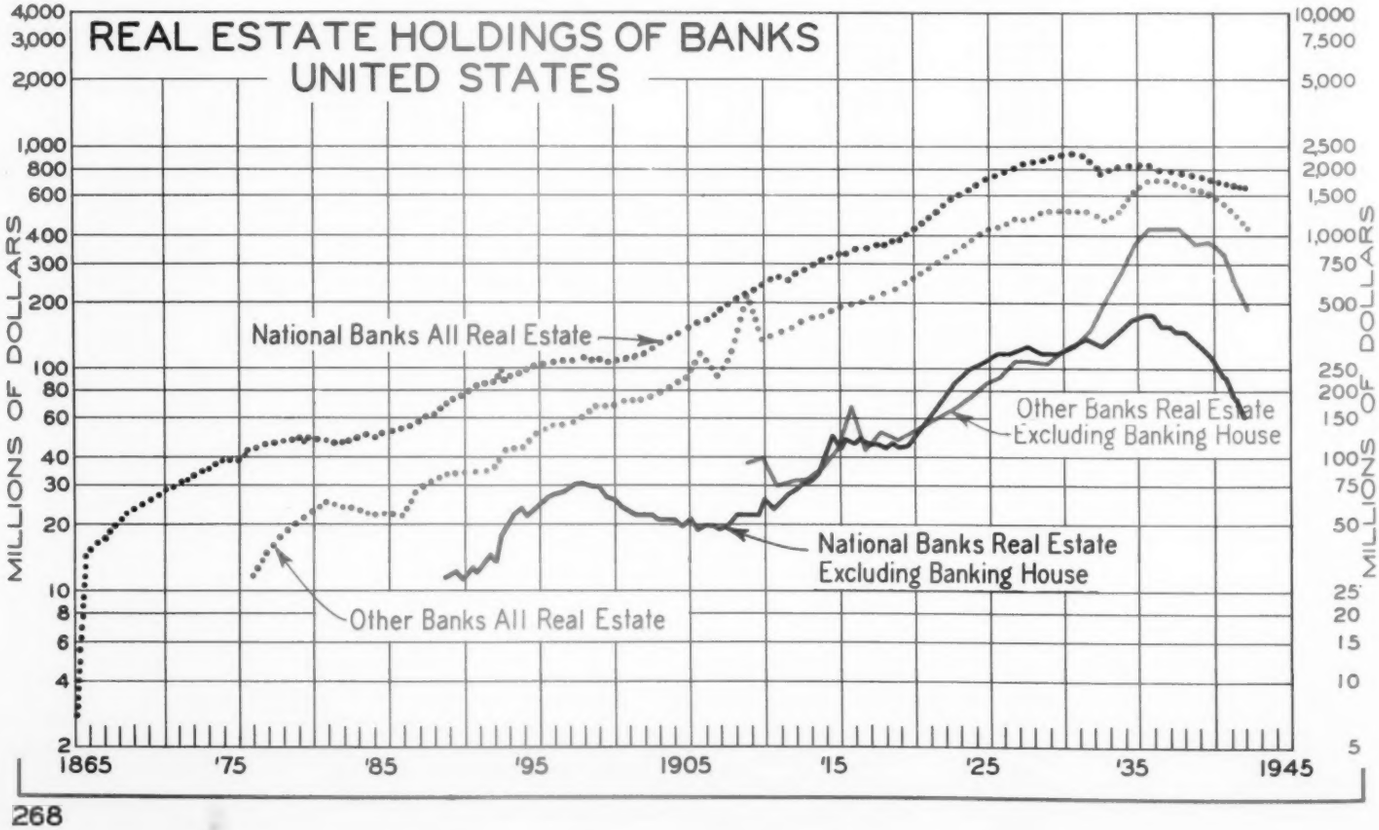
(A minus sign (-) denotes decrease. Percent not shown where less than 0.1)

REAL ESTATE HOLDINGS OF BANKS

THE chart at the bottom of the page shows the dollar amount of real estate owned by all banks in the United States for each year from 1865 to 1942. Banks have been separated into national banks shown in blue and all other banks which include state banks, private banks and savings banks shown in red. The data used in preparing this chart were secured from the annual reports of the Comptroller of the Currency.

The total real estate owned by banks is indicated by the dotted line. The real estate owned exclusive of bank premises, furniture and fixtures, is indicated by the solid line. Figures are not available for this separation prior to 1889 for national banks and prior to 1909 for all other banks. No information is available for all other banks prior to 1876. The red scale goes with the red lines and the blue scale goes with the blue lines.

Real estate excluding banking house owned by national banks is now down to the level of 1921 and the same figure for all other banks is down to the level of late 1933. During the next year the figures for national banks and for all other banks will show further sizable drops.



FHA FINANCING

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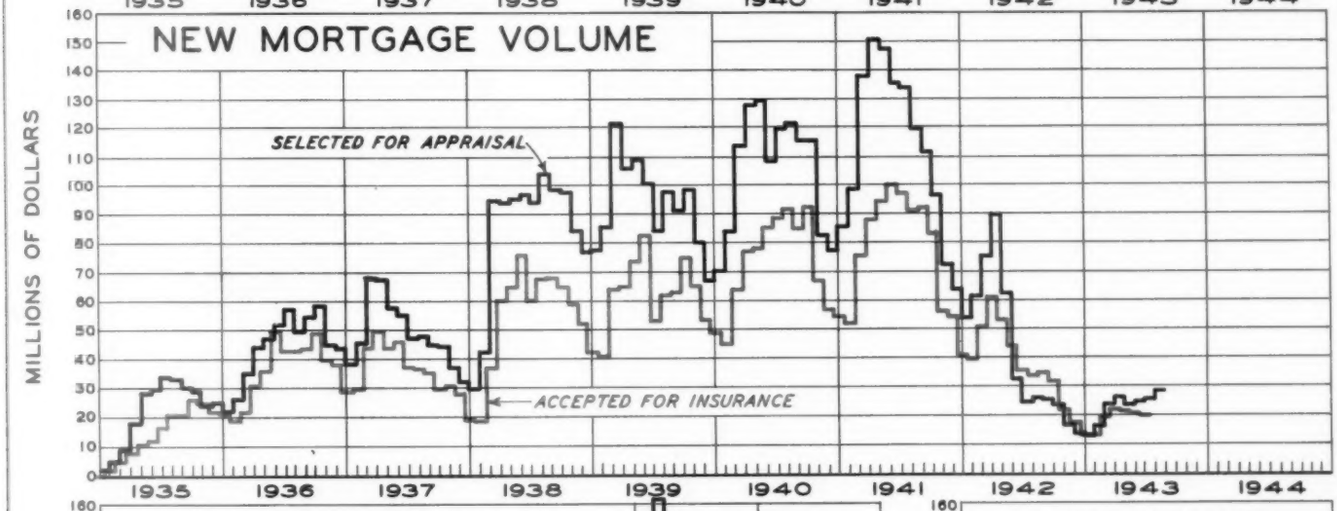

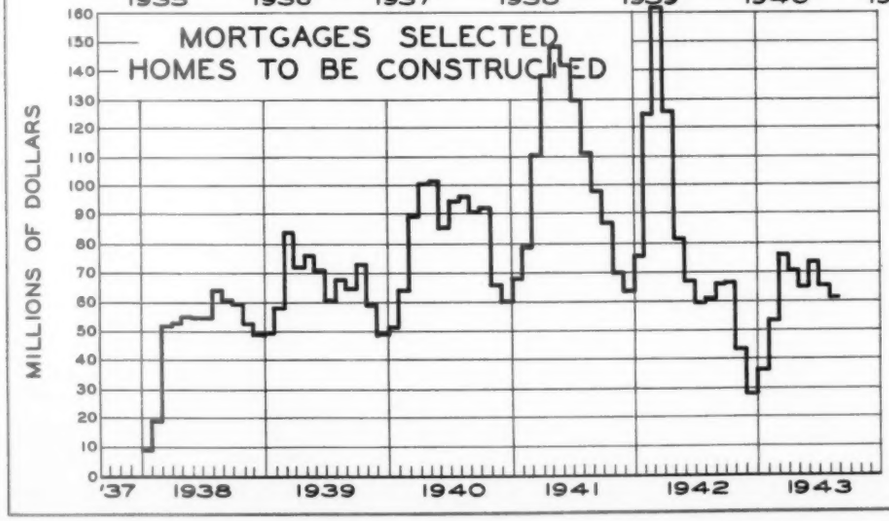

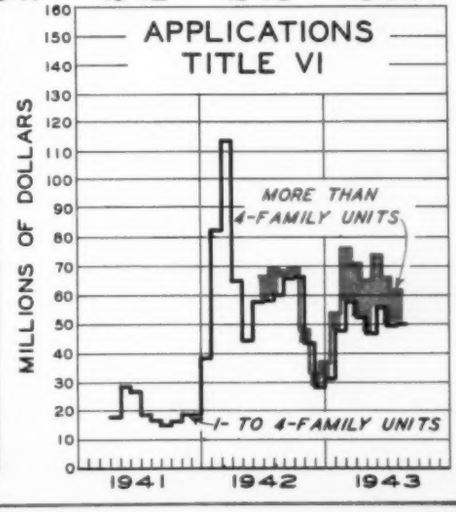

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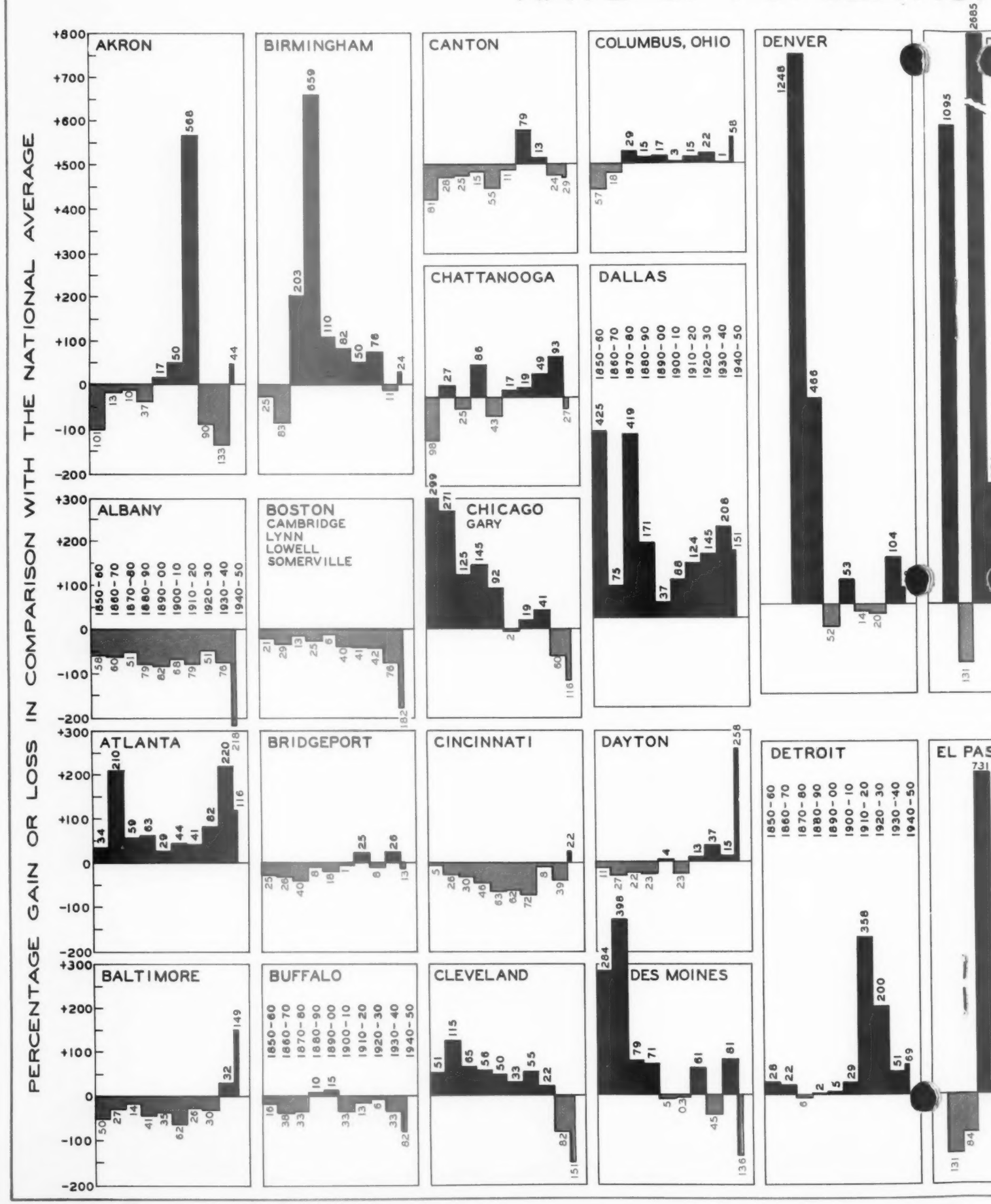

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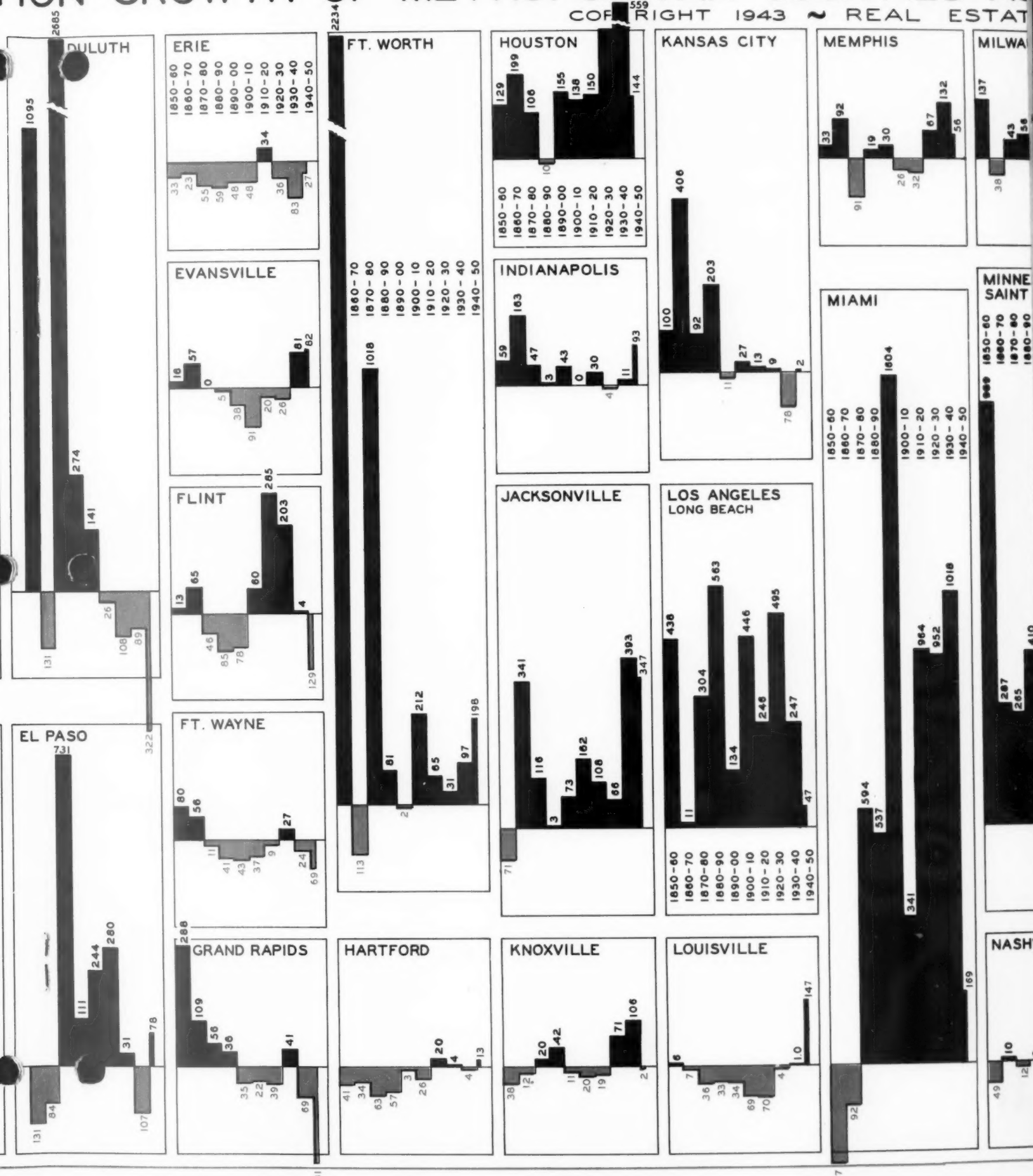

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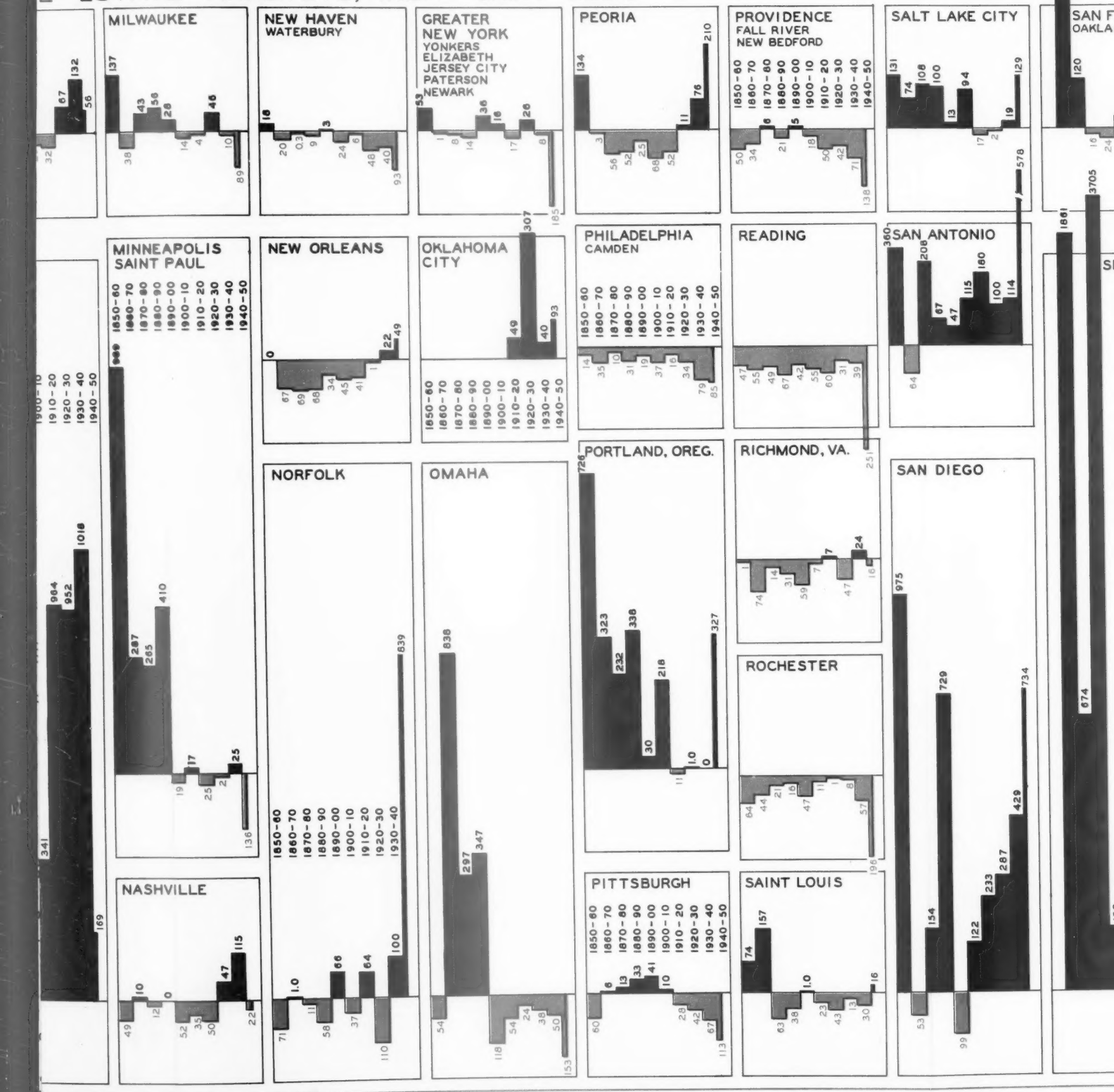
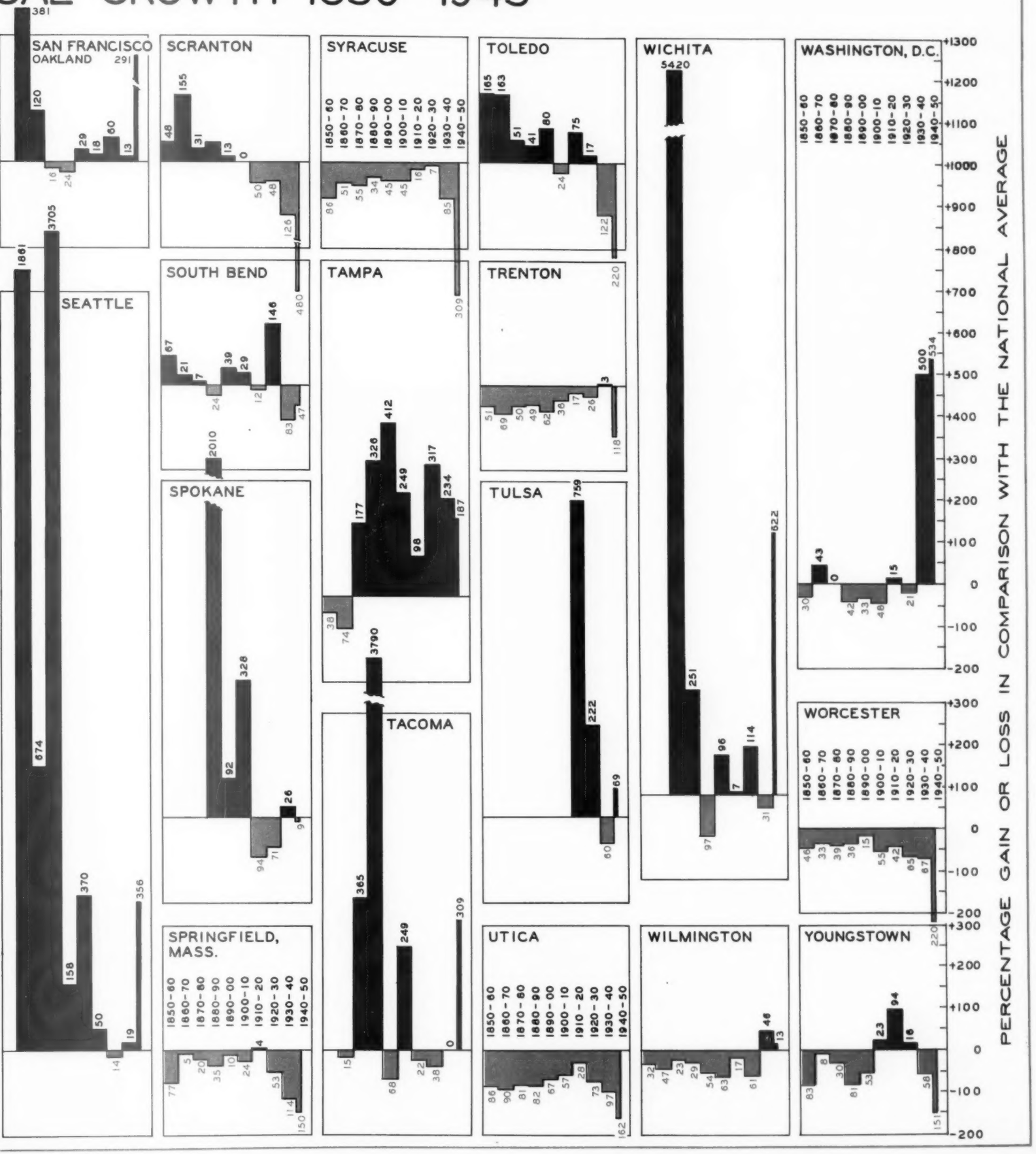
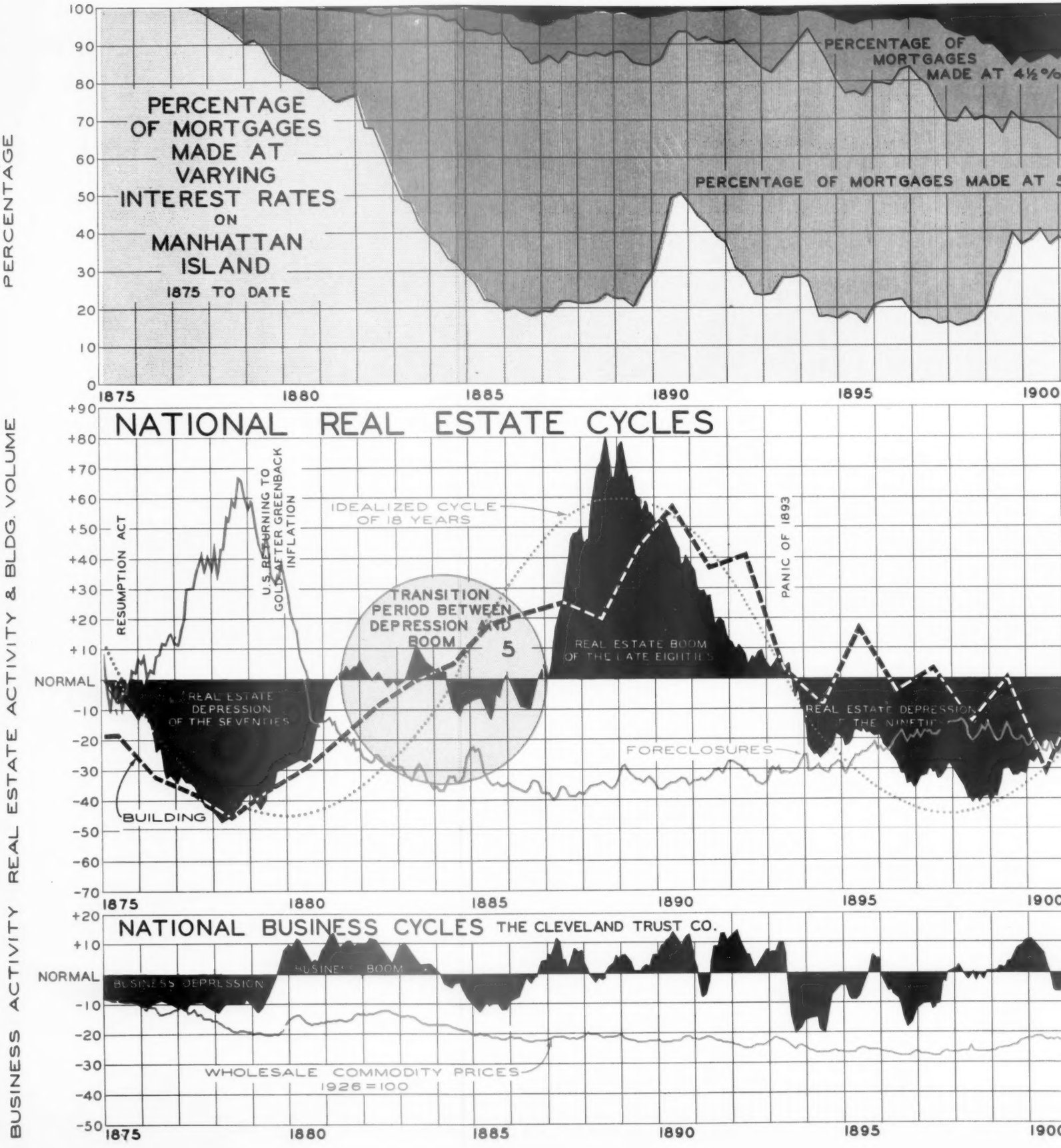
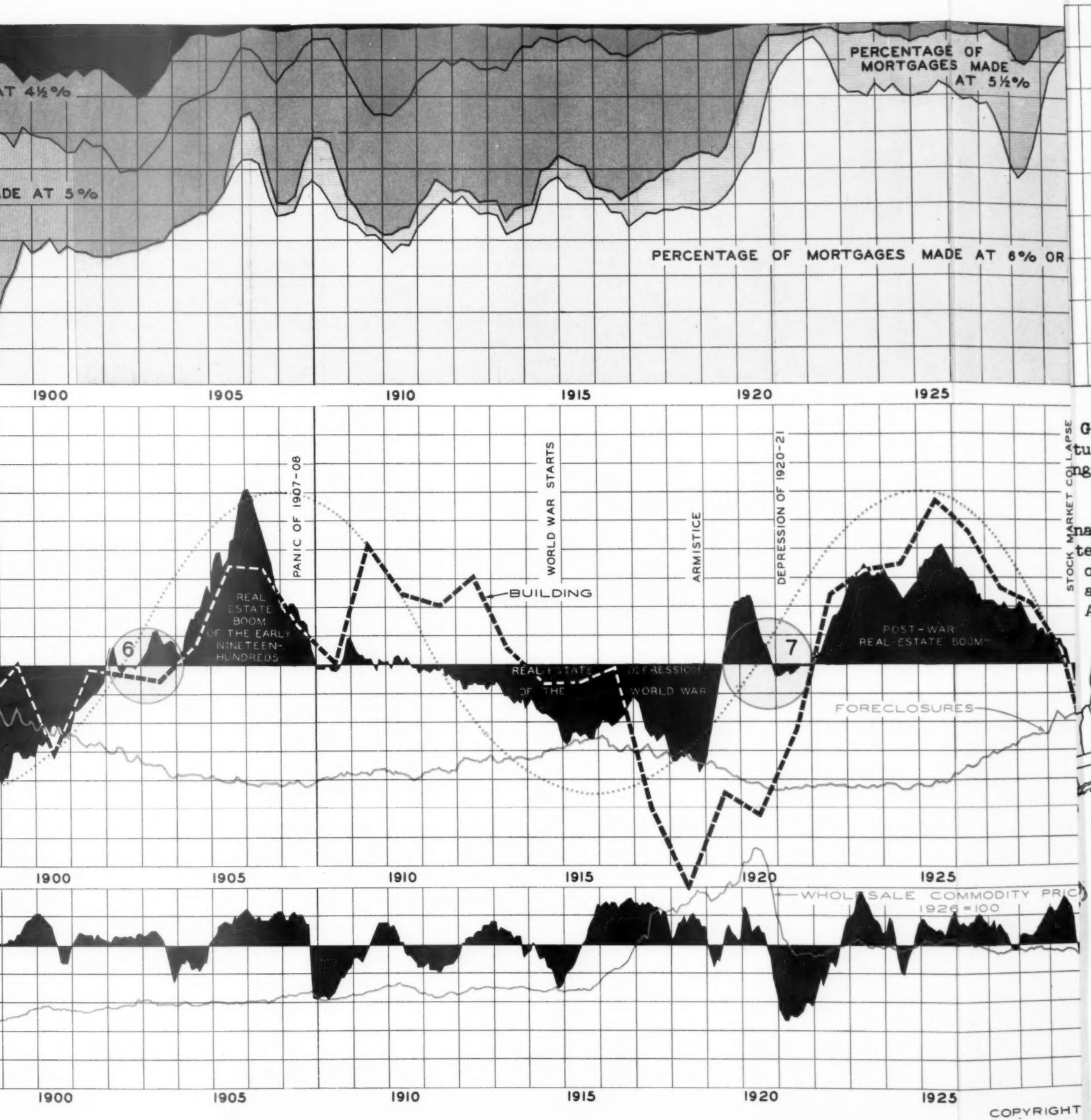


CAL GROWTH 1850–1943




PERCENTAGE
PERCENTAGE OF MORTGAGES MADE AT VARYING INTEREST RATES ON MANHATTAN ISLAND 1875 TO DATE
PERCENTAGE OF MORTGAGES MADE AT 4½%
PERCENTAGE OF MORTGAGES MADE AT
100
90
80
70
60
50
40
30
20
10
0
1875
1880
1885
1890
1895
1900
BUSINESS ACTIVITY REAL ESTATE ACTIVITY & BLDG. VOLUME
NATIONAL REAL ESTATE CYCLES
+90
+80
+70
+60
+50
+40
+30
+20
+10
NORMAL
-10
-20
-30
-40
-50
-60
-70
RESUMPTION ACT
U.S. RETURNING TO GOLD AFTER GREENBACK INFLATION
IDEALIZED CYCLE OF 18 YEARS
TRANSITION PERIOD BETWEEN DEPRESSION AND BOOM
5
PANIC OF 1893
REAL ESTATE BOOM OF THE LATE EIGHTIES
REAL ESTATE DEPRESSION OF THE SEVENTIES
REAL ESTATE DEPRESSION OF THE NINETIES
FORECLOSURES
BUILDING
1875
1880
1885
1890
1895
1900
NATIONAL BUSINESS CYCLES THE CLEVELAND TRUST CO.
+20
+10
NORMAL
-10
-20
-30
-40
-50
BUSINESS DEPRESSION
BUSINESS BOOM
WHOLESALE COMMODITY PRICES
1926=100
1875
1880
1885
1890
1895
1900


AT 4½%
DE AT 5%
PERCENTAGE OF MORTGAGES MADE AT 5½%
PERCENTAGE OF MORTGAGES MADE AT 6% OR
1900
1905
1910
1915
1920
1925
PANIC OF 1907-08
WORLD WAR STARTS
ARMISTICE
DEPRESSION OF 1920-21
STOCK MARKET COLLAPSE
REAL ESTATE BOOM OF THE EARLY NINETEEN-HUNDREDS
BUILDING
REAL ESTATE DEPRESSION OF THE WORLD WAR
POST-WAR REAL ESTATE BOOM
6
7
FORECLOSURES
WHOLESALE COMMODITY PRICES
1926=100
1900
1905
1910
1915
1920
1925

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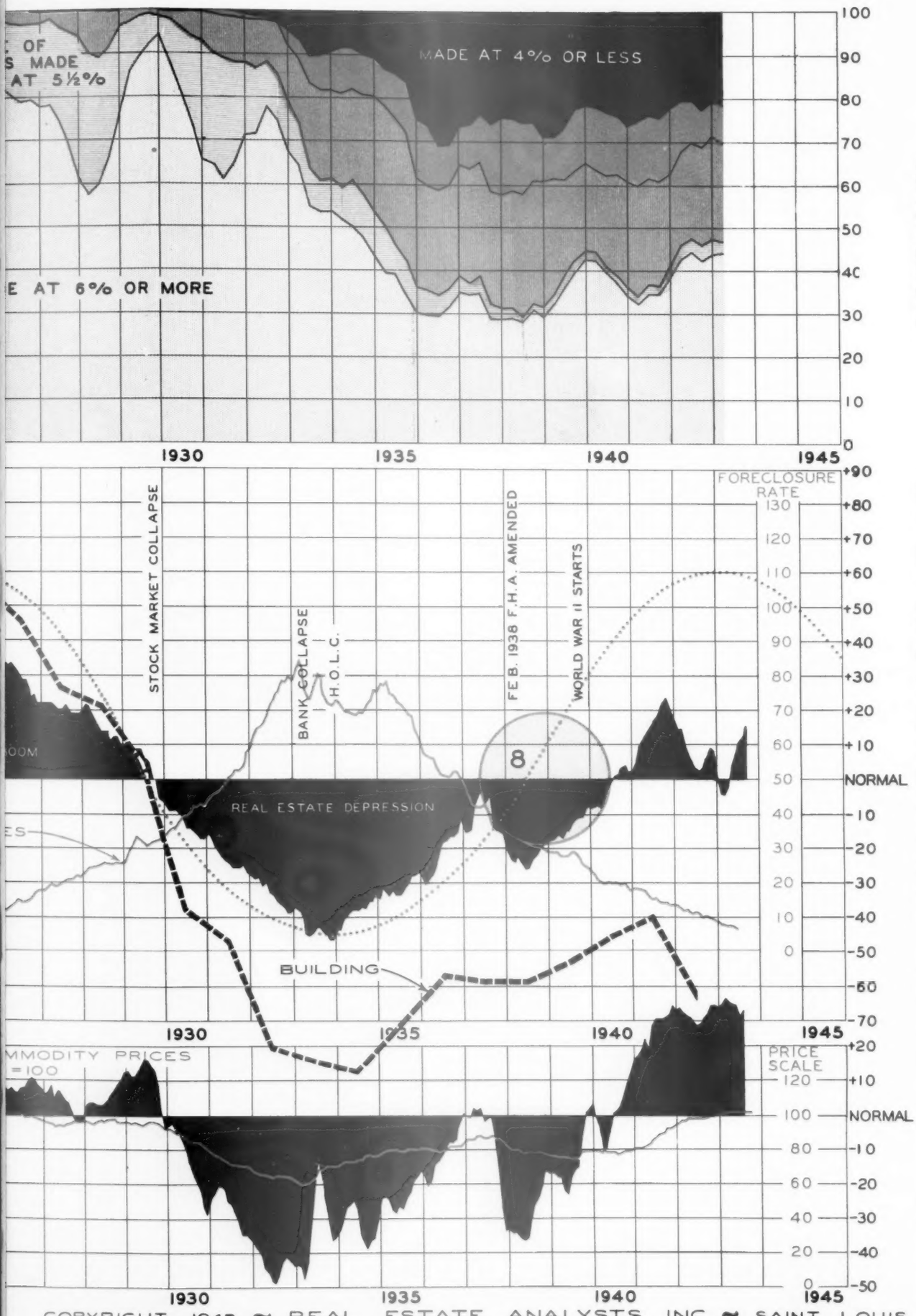

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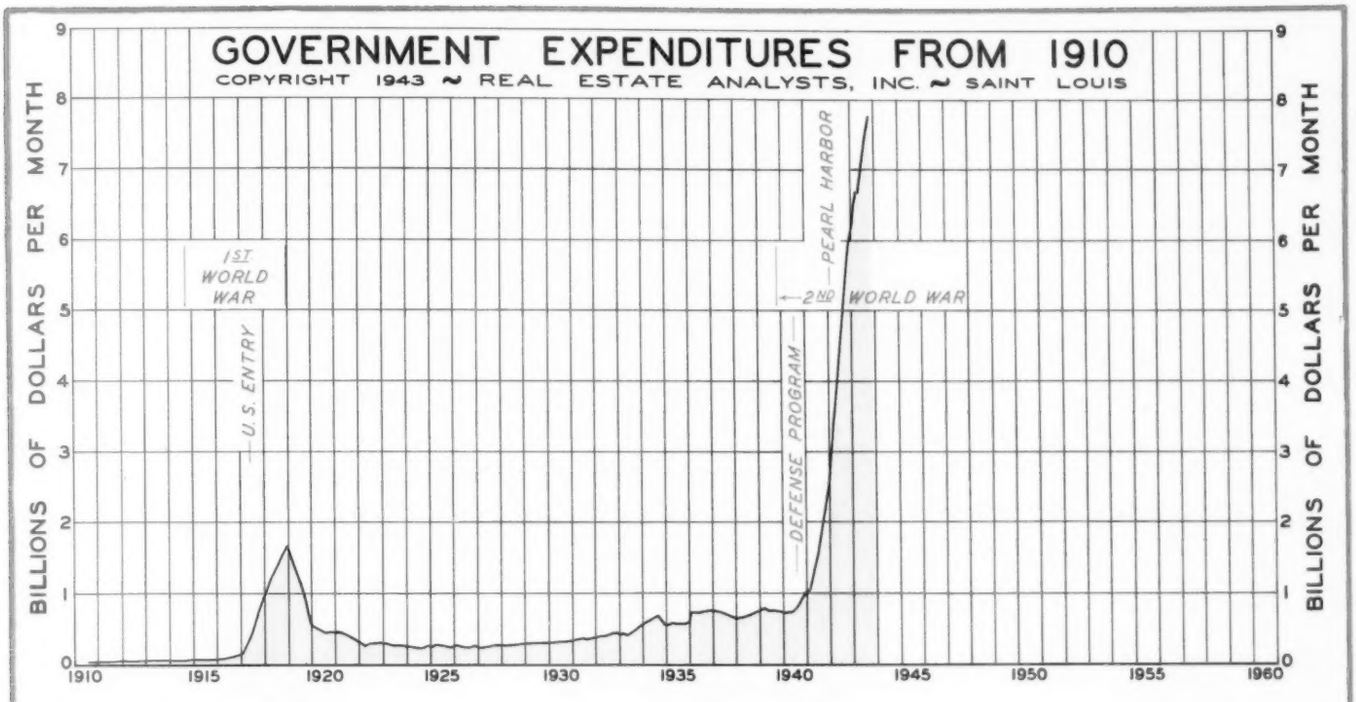
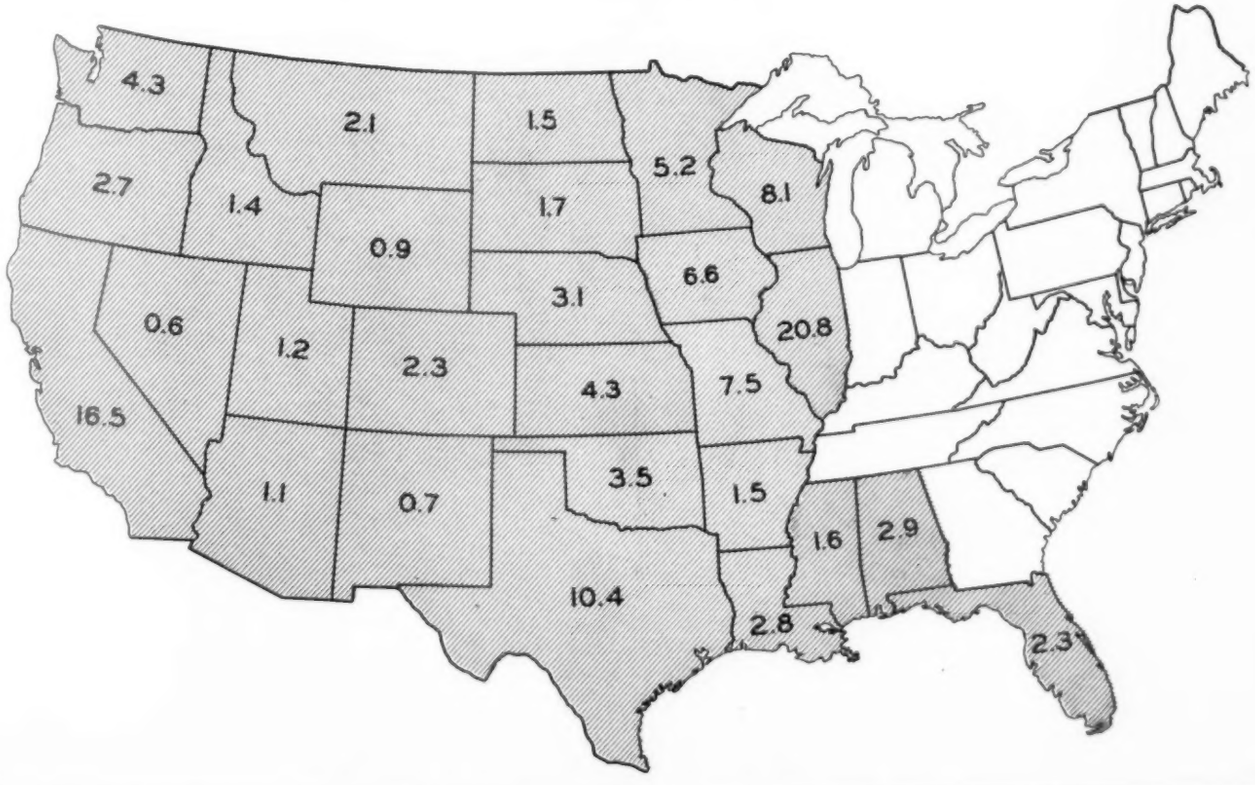


THE chart above shows the rate of expenditure of the United States Government for all purposes from 1910 to the present. The monthly fluctuations have been smoothed from the line by the use of twelve months' moving average.

In 1938 the National Industrial Conference Board estimated the national wealth at $309,403,000,000 and they showed this divided among the States. On the basis of these figures our war expenditures from the beginning of our defense program in July 1941 amount to the combined wealth in 1937 of all the States west of the Mississippi, plus Illinois, Wisconsin, Mississippi, Alabama and Florida.



REAL ESTATE TRANSFERS IN PRINCIPAL CITIES

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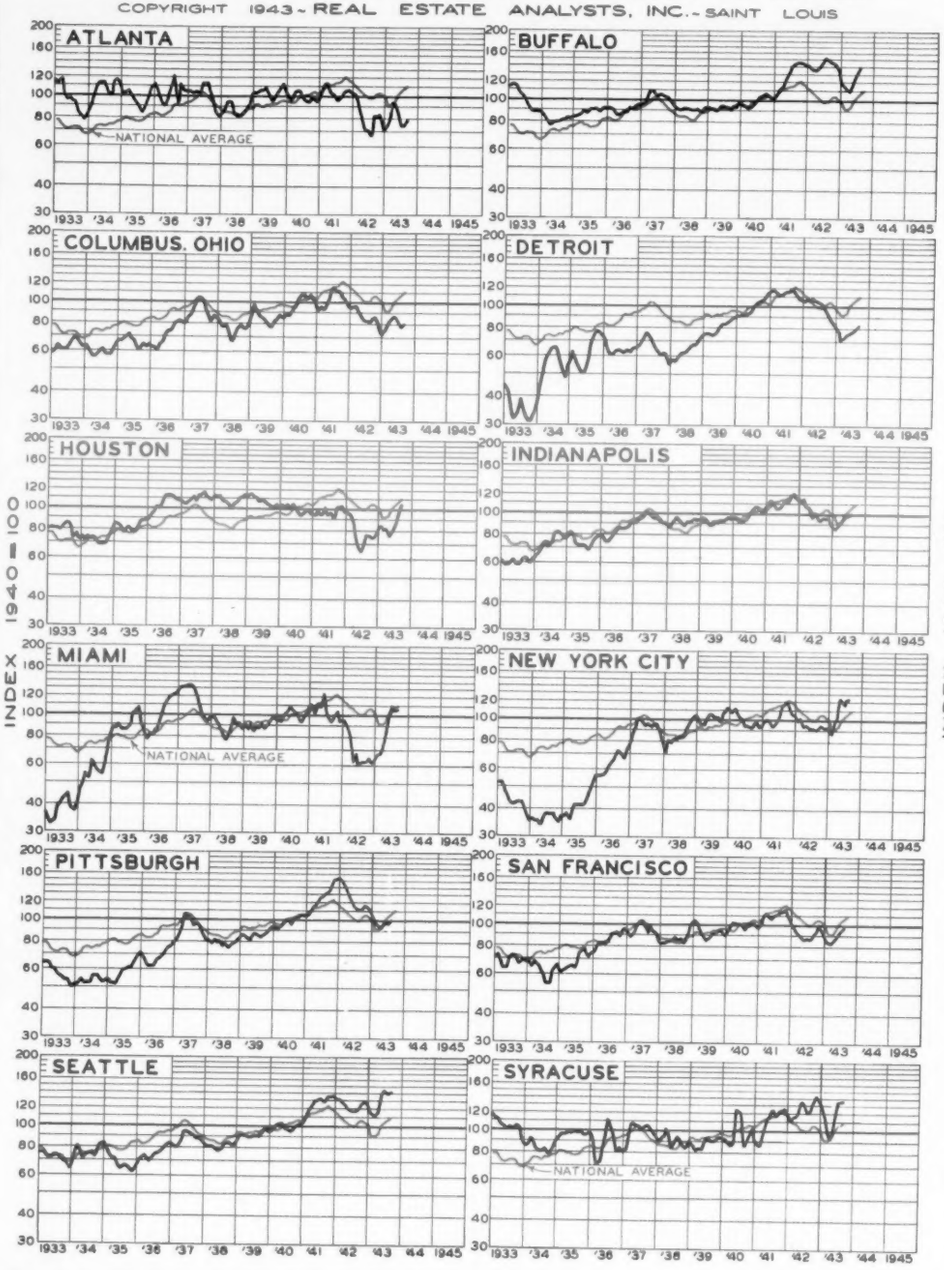
INDEX 1940 = 100



REAL ESTATE TRANSFERS IN PRINCIPAL CITIES

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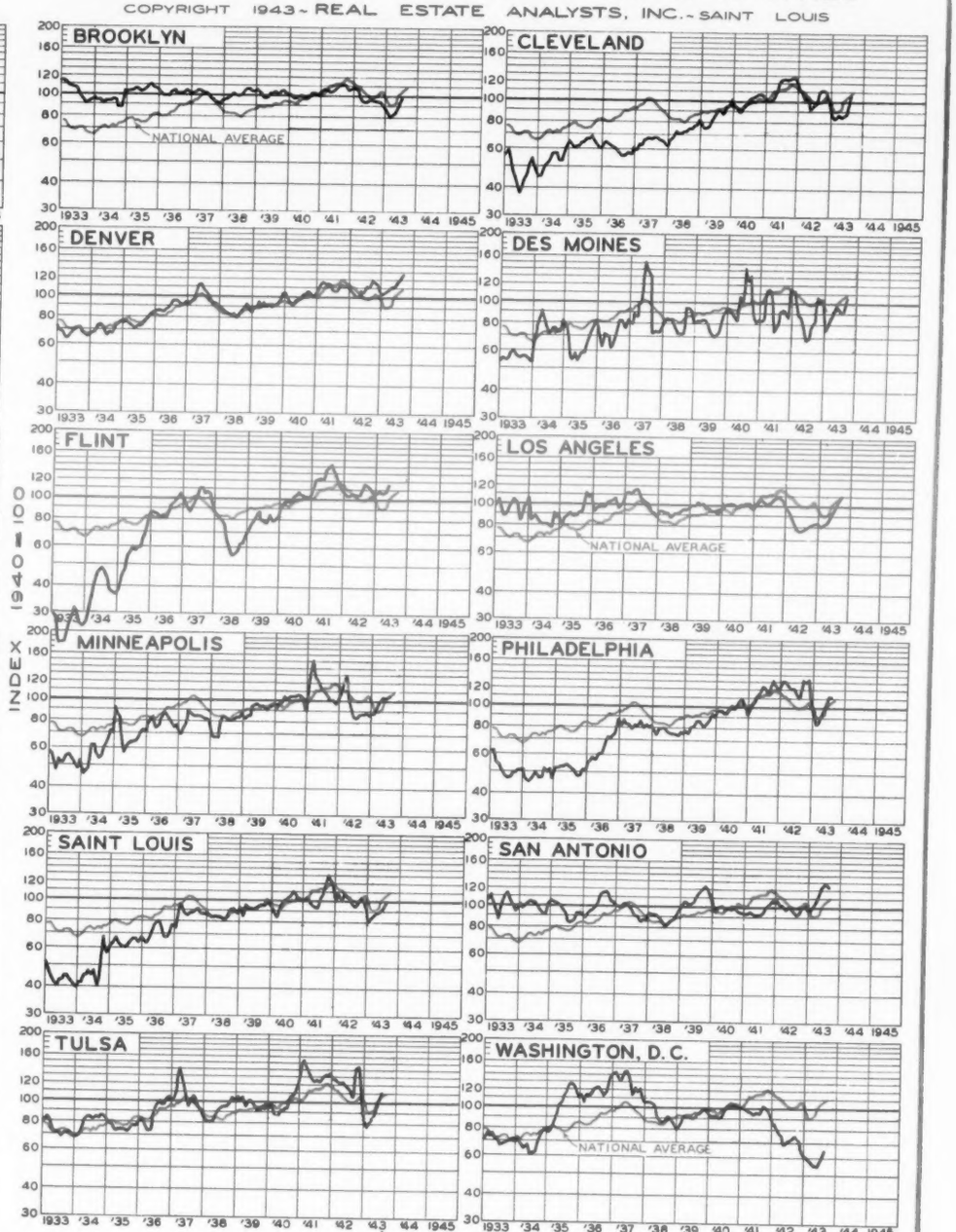
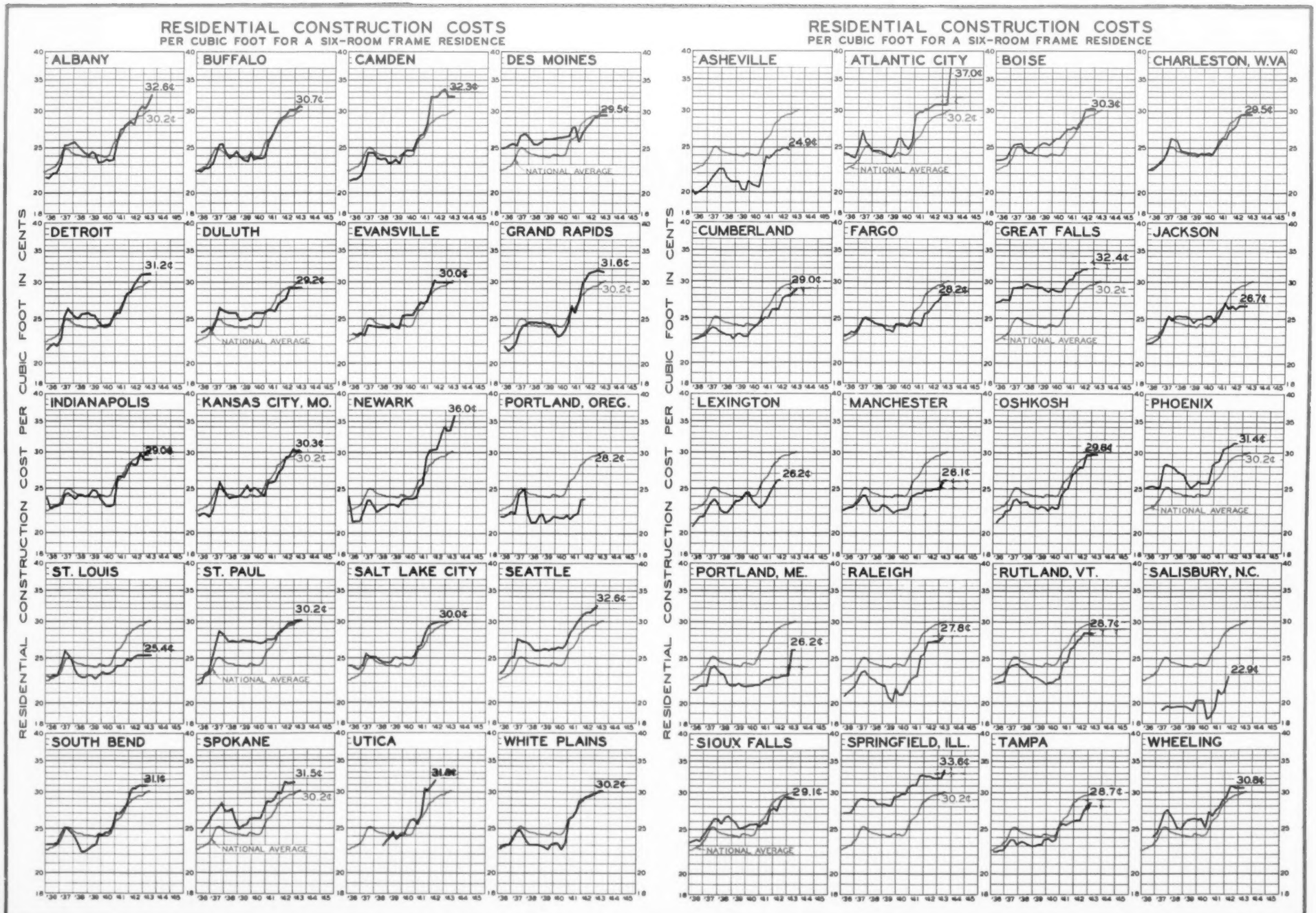
INDEX 1940 = 100



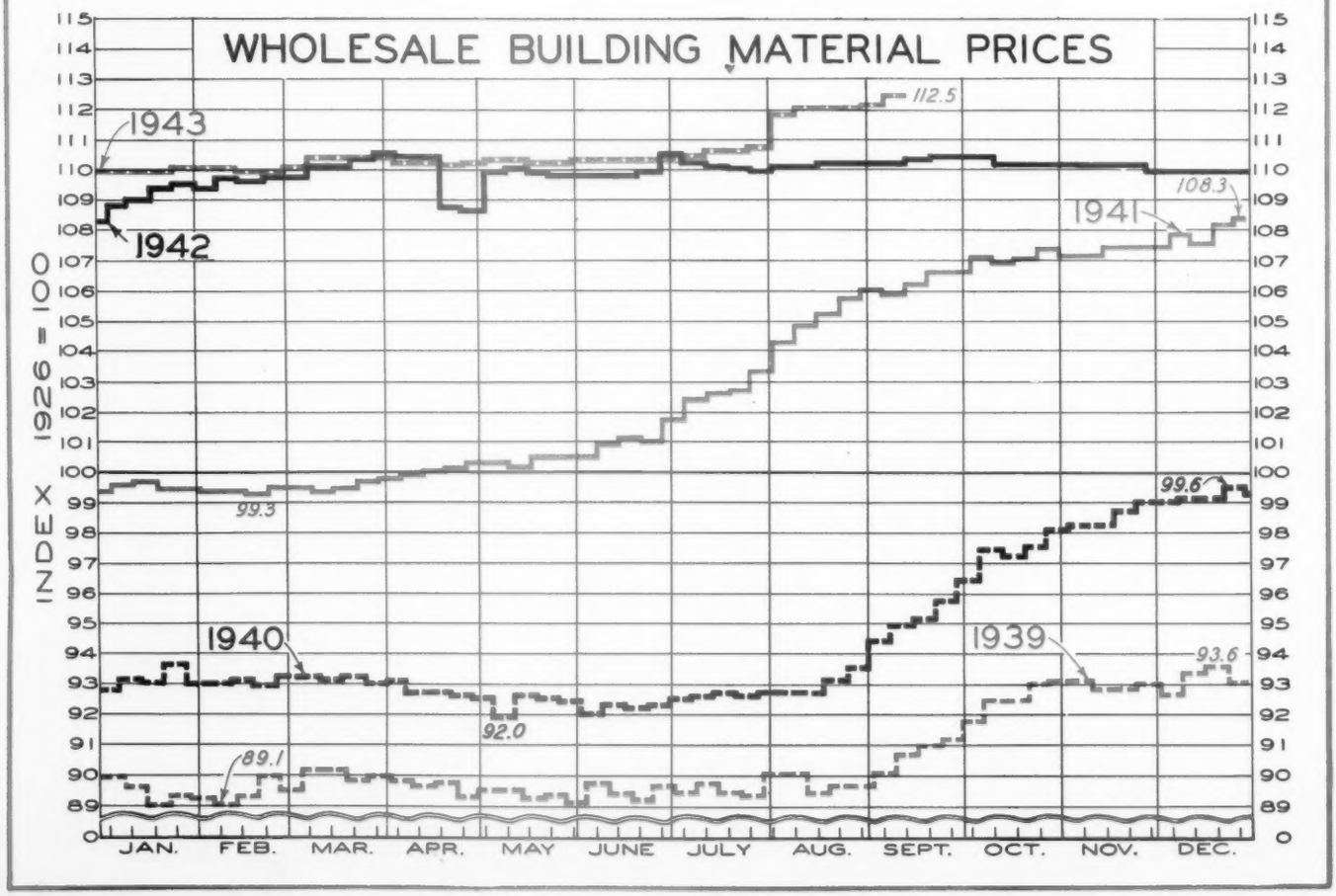

RESIDENTIAL CONSTRUCTION COSTS
PER CUBIC FOOT FOR A SIX-ROOM FRAME RESIDENCE
RESIDENTIAL CONSTRUCTION COST PER CUBIC FOOT IN CENTS
ALBANY
32.6¢
30.2¢
BUFFALO
30.7¢
CAMDEN
32.3¢
DES MOINES
29.5¢
NATIONAL AVERAGE
DETROIT
31.2¢
DULUTH
29.2¢
NATIONAL AVERAGE
EVANSVILLE
30.0¢
GRAND RAPIDS
31.6¢
30.2¢
INDIANAPOLIS
29.0¢
KANSAS CITY, MO.
30.3¢
30.2¢
NEWARK
36.0¢
PORTLAND, OREG.
28.2¢
ST. LOUIS
25.4¢
ST. PAUL
30.2¢
NATIONAL AVERAGE
SALT LAKE CITY
30.0¢
SEATTLE
32.6¢
SOUTH BEND
31.1¢
SPOKANE
31.5¢
30.2¢
NATIONAL AVERAGE
UTICA
31.8¢
WHITE PLAINS
30.2¢
RESIDENTIAL CONSTRUCTION COSTS
PER CUBIC FOOT FOR A SIX-ROOM FRAME RESIDENCE
RESIDENTIAL CONSTRUCTION COST PER CUBIC FOOT IN CENTS
ASHEVILLE
24.9¢
ATLANTIC CITY
37.0¢
30.2¢
NATIONAL AVERAGE
BOISE
30.3¢
CHARLESTON, W.VA
29.5¢
CUMBERLAND
29.0¢
FARGO
28.2¢
GREAT FALLS
32.4¢
30.2¢
NATIONAL AVERAGE
JACKSON
26.7¢
LEXINGTON
26.2¢
MANCHESTER
28.1¢
OSHKOSH
29.8¢
PHOENIX
31.4¢
30.2¢
NATIONAL AVERAGE
PORTLAND, ME.
26.2¢
RALEIGH
27.8¢
RUTLAND, VT.
28.7¢
SALISBURY, N.C.
22.9¢
SIOUX FALLS
29.1¢
NATIONAL AVERAGE
SPRINGFIELD, ILL.
33.6¢
30.2¢
TAMPA
28.7¢
WHEELING
30.8¢

DWELLING UNITS CONSTRUCTED IN 48 STATES

THE number of new family accommodations built in all nonfarm communities of the 48 states and the District of Columbia is shown in the table below. Cumulative totals and twelve month moving totals for 1942 (blue) and 1943 (red) are given.

THOUSANDS OF UNITS

	MONTHLY			CUMULATIVE			12 MONTH MOVING TOTAL		
	1941	1942	1943	1941	1942	1943	1941	1942	1943
JANUARY	41.2	34.3	49.0	41.2	34.3	49.0	617.7	708.3	508.0
FEBRUARY	43.7	51.5	35.1	84.9	85.8	84.1	624.5	716.1	491.6
MARCH	60.2	52.5	30.6	145.1	138.3	114.7	638.7	708.4	469.7
APRIL	75.2	59.2	28.0	220.3	197.5	142.7	651.0	692.4	438.5
MAY	70.7	60.9	34.2	291.0	258.4	176.9	664.7	682.6	411.8
JUNE	77.2	46.2	22.9	368.2	304.6	199.8	697.9	651.6	388.5
JULY	74.6	27.2	23.3	442.8	331.8	223.1	715.0	604.2	384.6
AUGUST	69.8	27.5	27.0	512.6	359.3	250.1	729.1	561.9	384.1
SEPTEMBER	67.0	44.8		579.6	404.1		737.7	539.7	
OCTOBER	56.2	29.9		635.8	434.0		727.7	513.4	
NOVEMBER	46.6	29.8		682.4	463.8		729.4	496.6	
DECEMBER	32.8	29.5		715.2	493.3		715.2	493.3	



EXECUTIVE DIGEST

SEPTEMBER 28
1943

OF THE CURRENT REAL ESTATE ANALYST REPORTS

REAL ESTATE ANALYSTS, INC.

Real Estate Economists, Appraisers and Counselors

Roy Wenzlick
Editor

VOLUME XII

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REAL ESTATE ACTIVITY

The preliminary figure for real estate activity for August shows it 15.2% above the computed long-term normal. One day after Congress reconvened the OPA announced that effective September 16 the one-third down payment required for the purchase of dwelling units where tenants were required to move had been dropped to 20%. No change has been made in the three months period which elapses from the time that a certificate is issued by the rent administrator until possession can be secured.

The full effect of the change in the cash down payment requirement will not be reflected in the real estate activity figures until the figures are available for the full month of October. The September figures will reflect the change only slightly as the first 16 days of the month sales were under the old restrictions.

It is believed that the inherent strength of real estate at the present time is such that real estate activity will exceed the 1941 recovery peak by the end of this year. This is not entirely a war phenomenon as the long charts prepared by Real Estate Analysts, Inc., would indicate that a far greater boom in real estate activity would probably have occurred before this, had no war occurred with its resulting limitations on rents and sales.

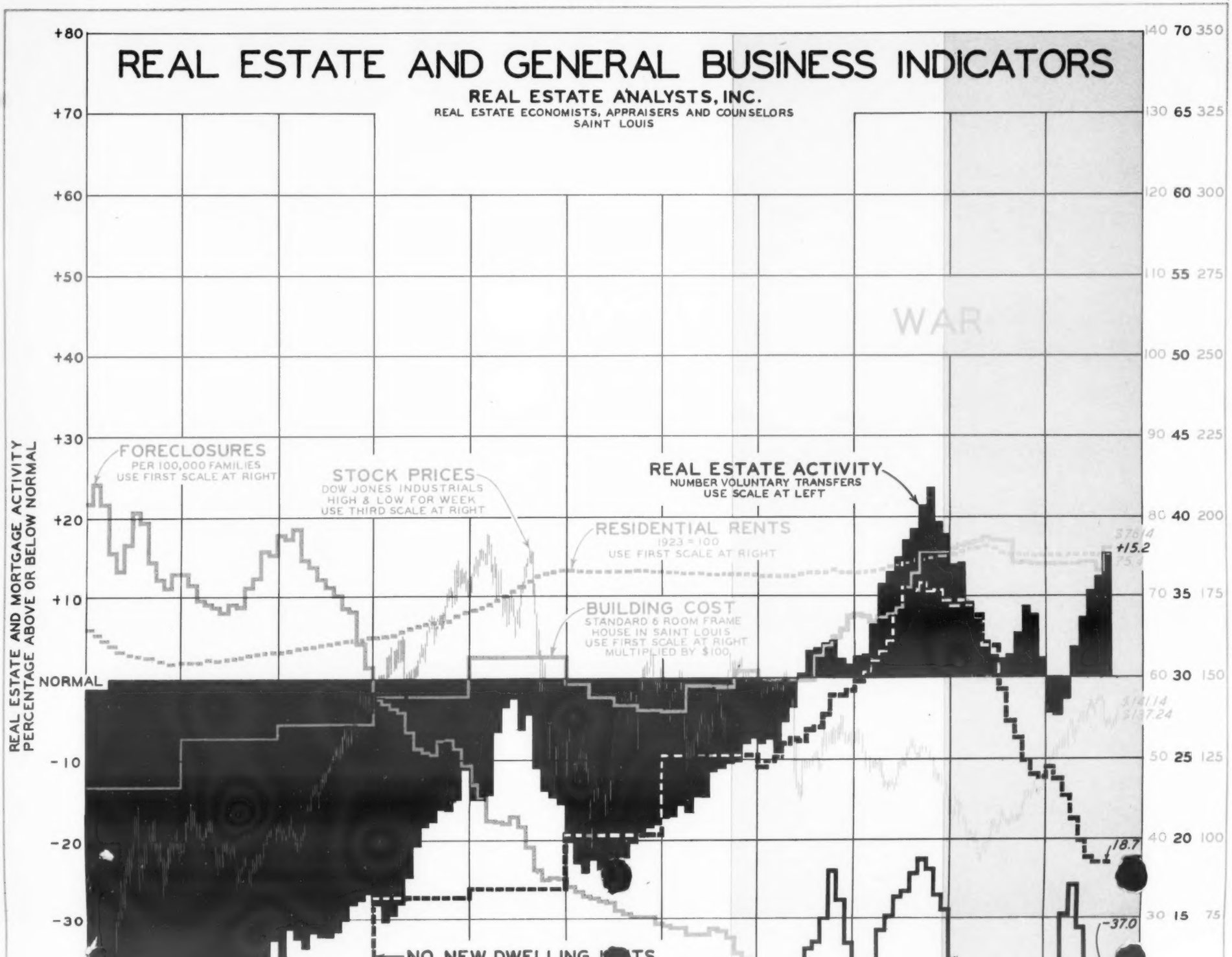
REAL ESTATE MORTGAGES

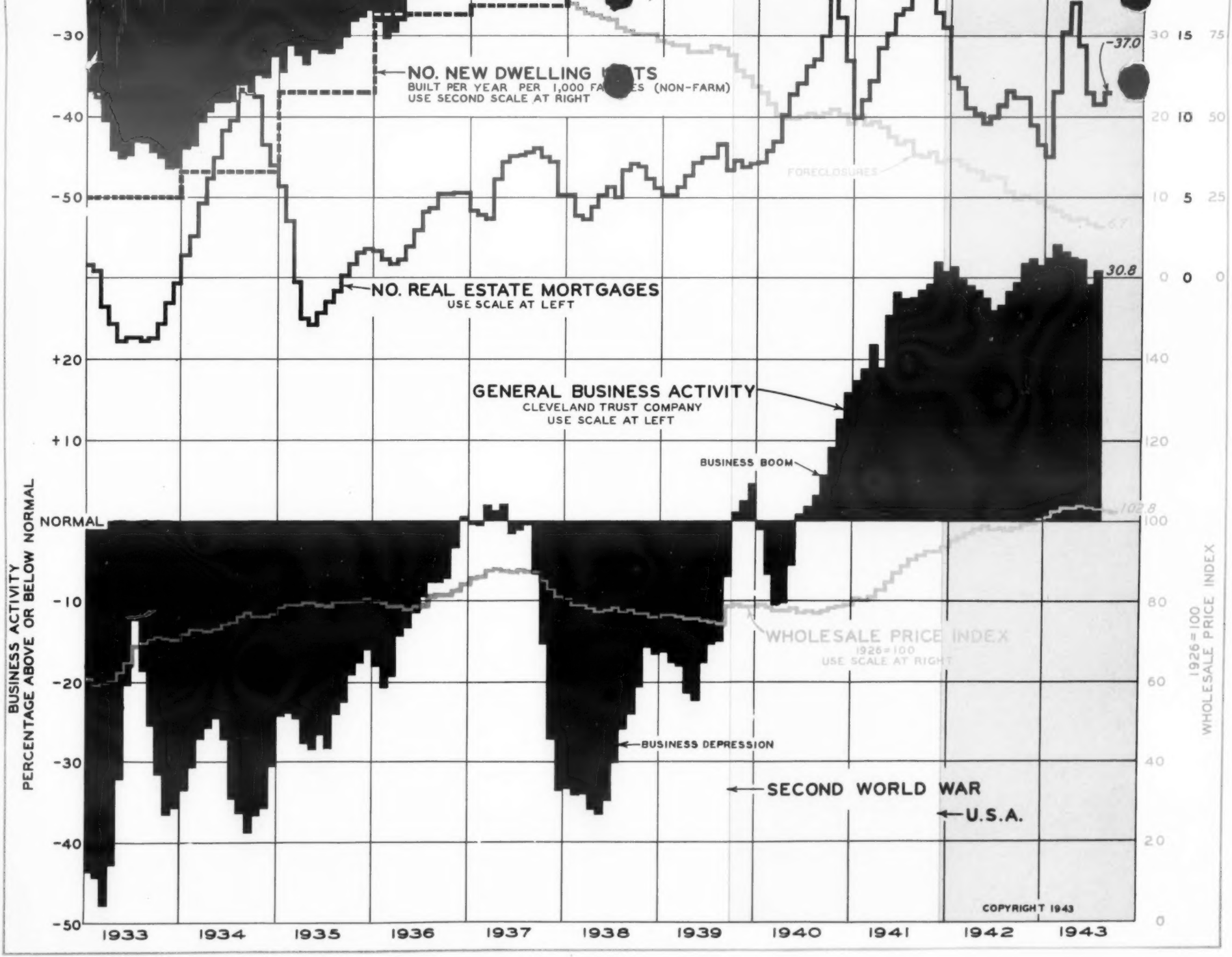
Mortgage activity increased very slightly from July to August but the August figure was still relatively low. This was to be expected as mortgage activity depends to a large extent on new construction and new construction is almost at a standstill with the probability of still further drops during the balance of the war in Europe.

Mortgage activity on older properties, however, is increasing, for as the sales of existing properties increase, the necessity quite frequently arises of refinancing them. We believe that total mortgage activity will not drop below its present level.

RESIDENTIAL BUILDING

The chart on the center spread of this report shows that residential building has been declining at a rather consistent rate since the late fall of 1941 and we believe that this drop will continue as most of the war migrations are now over. Building costs have advanced and with residential rents frozen at their present level there would be very little incentive to build units for rental occupancy even though materials and labor were readily available. Because of the housing shortage it would be possible to build for sale in many


REAL ESTATE AND GENERAL BUSINESS INDICATORS
REAL ESTATE ANALYSTS, INC.
REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS
SAINT LOUIS
REAL ESTATE AND MORTGAGE ACTIVITY
PERCENTAGE ABOVE OR BELOW NORMAL
+80
+70
+60
+50
+40
+30
+20
+10
NORMAL
-10
-20
-30
140 70 350
130 65 325
120 60 300
110 55 275
100 50 250
90 45 225
80 40 200
70 35 175
60 30 150
50 25 125
40 20 100
30 15 75
WAR
FORECLOSURES
PER 100,000 FAMILIES
USE FIRST SCALE AT RIGHT
STOCK PRICES
DOW JONES INDUSTRIALS
HIGH & LOW FOR WEEK
USE THIRD SCALE AT RIGHT
REAL ESTATE ACTIVITY
NUMBER VOLUNTARY TRANSFERS
USE SCALE AT LEFT
RESIDENTIAL RENTS
1923 = 100
USE FIRST SCALE AT RIGHT
BUILDING COST
STANDARD 6 ROOM FRAME
HOUSE IN SAINT LOUIS
USE FIRST SCALE AT RIGHT
MULTIPLIED BY $100
$76.14
+15.2
75.3
$141.14
$137.24
18.7
-37.0
NO NEW DWELLING


NO. NEW DWELLING UNITS
BUILT PER YEAR PER 1,000 FAMILIES (NON-FARM)
USE SECOND SCALE AT RIGHT
-37.0
FORECLOSURES
NO. REAL ESTATE MORTGAGES
USE SCALE AT LEFT
30.8
GENERAL BUSINESS ACTIVITY
CLEVELAND TRUST COMPANY
USE SCALE AT LEFT
BUSINESS BOOM
102.8
WHOLESALE PRICE INDEX
1926=100
USE SCALE AT RIGHT
BUSINESS DEPRESSION
SECOND WORLD WAR
U.S.A.
COPYRIGHT 1943
BUSINESS ACTIVITY
PERCENTAGE ABOVE OR BELOW NORMAL
NORMAL
1926=100
WHOLESALE PRICE INDEX
-30
-40
-50
+20
+10
-10
-20
30
20
10
0
15
5
140
120
100
80
60
40
75
50
25
1933
1934
1935
1936
1937
1938
1939
1940
1941
1942
1943

communities in spite of high building costs. The shortages of material and labor, however, will become more acute until the war is over in Europe and little building will be done.

BUILDING COSTS

The cost of building the typical six-room frame residence in St. Louis on September 23 was exactly the same as the figure for August as no changes occurred during the month in the cost of any materials or labor rates going into the house. In view of the fact that in the preceding month the cost increased by $270 and that this increase held it is quite significant. The cost of building the standard house now is $7,614. We believe that any change during the next few months will be upward.

BUSINESS ACTIVITY

It is clearly apparent from the charts showing general business activity on the inside of this report that we have reached some time ago the ceiling of production capacity in the United States. In spite of an unprecedented demand for goods and services due to the current high dollar income it has been impossible to push general business activity above the levels attained some months ago. With manpower shortages becoming still more acute during the balance of 1943 and certainly during the first six months of 1944, present levels will be maintained only with the greatest difficulty.

FORECLOSURES

The foreclosure rate has been dropping consistently since March 1935 and it has now reached the lowest level since July 1924. At the present time there are only 6.7 foreclosures per 100,000 in all nonfarm areas of the United States. The lowest foreclosure rate since 1913 was reached in October 1920 when foreclosures dropped to 6.3 per 100,000 families. Foreclosures will remain low until construction costs have stopped increasing and have started to decrease. This is still some time in the future.

RESIDENTIAL RENTS

There is no change in our index of residential rents and there will probably be none during the balance of 1943. Rent control is the only government control which is actually working. In spite of the fact that present levels of residential rents are entirely too low in view of operating expenses and the changes which have come in the general price level, the pressure of organized labor on Congress and the President will prevent any serious modification as long as the war in Europe continues.

WHOLESALE PRICES

The recent trend of wholesale prices has been sideways and slightly downward. This trend cannot continue and is to be regarded as a temporary reaction in a major rising trend. The manpower shortages which are now becoming most acute will contribute still further to the difficulty of preventing rises on articles for which the demand greatly exceeds the supply.

STOCK MARKET

The stock market as shown on the chart on the inside of this report has held fairly well after the drop of the last month. On the basis of the long period stock prices are considered relatively low but it is difficult to determine whether the next movement will be up or down.

REAL ESTATE ANALYSTS INC.

VOLUME XII

SEPTEMBER 28
1943

As I see

THE COST OF THE WAR AND THE PRICE OF REAL ESTATE IN THE POST-WAR PERIOD

ALL those interested in real estate in the post-war period, regardless of whether their interest is from the standpoint of the mortgage lender, the owner, the broker or the builder, are primarily interested in the probable level of prices. If real estate in the post-war period will sell for more than its present level, the mortgage lender will have few worries as even his excessive loans will become better, the owner will have an appreciation in his investment, the broker will have an active market and the builder will be busy. If, on the other hand, real estate in the post-war period sells at a level substantially below the present level the mortgage lender will in many cases trade his mortgages for FHA debentures or foreclosed real estate. The owner of real estate if he has a large indebtedness on his property will see his equity shrink until in many cases it disappears. The broker will find an inactive market as few people buy when prices are declining. The builder will find that the much talked of post-war building boom will not materialize as a building will not be worth what it cost to build and relatively few will be built.

What clues can we find which may enable us to estimate the probable level of real estate prices in the post-war period? On November 25, 1941, in an As I See It Bulletin I summarized the reasons for changes in rents and values substantially as follows. At any given time in any community the level of rents and values for any type of property is determined by the relationship of the supply of that property to the demand for it in that community, but over a longer period it is determined solely by the monthly cost of ownership of the new additions which must be added to that type of property to take care of the demand. Let us examine this statement critically, first to determine its reliability as an explanation of rent and value changes and second to see what the implications might be from the standpoint of post-war values.

The first part of the statement is, of course, self-evident, that in any particular community at any given time, the sole factor affecting rents and values is the relationship between the supply of and the demand for the particular type of unit in question in that community. It makes no difference whatever whether management costs increase or decrease; the level of rents will be determined solely by either the over-supply or the shortage of any particular type of space. If some particular type is present in greater quantities than the market can absorb, rents and values on that type of space will drop. If, on the other hand, the demand for some particular type of space exceeds the amount available in a free market, rents and values will rise. It will be noticed in the foregoing statement that I said "in a free

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market". I believe that the rental market in the post-war period will be a free market as I do not think Congress will be willing to extend rent control past the period of the emergency.

Over the longer period, however, I am firmly convinced that the determinants of real estate rents and values are the various factors which cause the monthly cost of ownership to rise or fall provided that new units must be built. What are these factors which determine the monthly cost of ownership? I have listed and described them below.

(1) Replacement cost. By this I mean the cost of producing comparable space in the community. This would depend on building material prices, on the wage levels in the building trades, on various overhead costs of building and on the prices of land suitable for development.

(2) Mortgage interest rates have a tremendous effect on the monthly cost of ownership. If interest rates are low, it is possible with the same payments to carry a far larger capital amount and that being the case, low interest rates may offset high construction costs and may still hold the monthly cost of ownership at a relatively low rate.

(3) Cost of financing. In the past the cost of financing entirely apart from interest payments was relatively high in some areas and this contributed to a high monthly cost of ownership as it increased the capital amount which the average family, not able to pay all cash for their home, had to assume. To them it was as real a cost in increasing their monthly payments as if the money had been spent on brick, mortar or lumber.

(4) Real estate taxes. If real estate taxes are low, the monthly cost of ownership is lower than it would be if taxes were high.

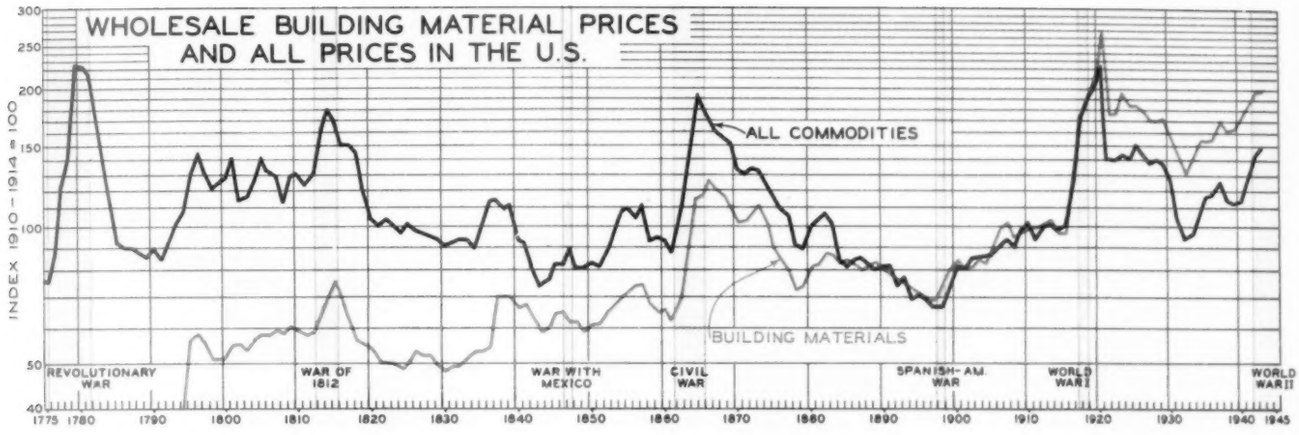
(5) Land costs. If the cost of land suitable for building is high, it necessarily contributes to a higher cost of ownership as it increases the capital amount on which interest must be paid.

Let us now study these five factors affecting values to see how they will probably react in the post-war period.

I. REPLACEMENT COST

The cost of building a building depends primarily on the cost of materials, the cost of labor and the cost of various overhead items. Many of the magazine and newspaper articles which have appeared in the recent past have led us to believe that in the post-war period much better buildings could be built at a considerably lower cost. If this be true, then insofar as this factor goes it will contribute to lower values of real estate rather than higher ones in the post-war period. Since this is of fundamental importance, let us examine it in considerable detail.

In the first place, what is the outlook for the cost of the materials which go into the house? The chart at the top of the next page shows the way the general price level and building material prices have fluctuated over the entire history of the United States. The shaded areas on this chart are periods in which the United States was at war. It will be noticed that high prices accompanied or followed war periods.



There are two striking conclusions we can draw from this chart. The first is that every time that the general price level has risen in the United States, building material prices have risen generally by an equal or greater percentage. The fact that many of these price rises occurred during periods in which practically no new building was taking place would indicate that the primary factor in determining the cost of building materials is not the relative supply of and demand for building materials but the purchasing power of the dollar and that these monetary factors have been of utmost importance in the past.

The second conclusion, which is just as important, is that over the entire period building material prices have constantly gained on the general price level. It will be noticed that a horizontal line could be drawn through the general price figures which would represent a rough normal over the entire period and that prices have fluctuated above and below this normal.

On the other hand, if a straight normal line were drawn for building material prices it would be found that this line had a very definite upward slant, meaning that building materials have constantly worked upward in relationship to other prices.

This chart would indicate to me that building materials will be higher or lower in the post-war period as general prices are higher or lower and that if general prices are higher, building materials will probably increase by a slightly larger percentage than general prices.

It is my belief that general prices will be higher in the post-war period although I recognize the possibility of a slight drop as soon as the war is over in Europe, then a recovery with the peak being reached probably some time in the late forties. I hold to this belief, although I realize that productivity per labor hour will be greater in the post-war period than it is at present or than it was pre-war. Our producing capacity will be greater, both for raw materials and for advanced products. Offsetting this, however, I believe that in the post-war period we will work shorter hours and that the high wage levels of the war period will be carried over at least in part to the post-war economy.

The principal reason I believe in a post-war price level above the present level, however, is that the monetary elements in our economy will be badly inflated after the war is over. This is the principal reason why all wars

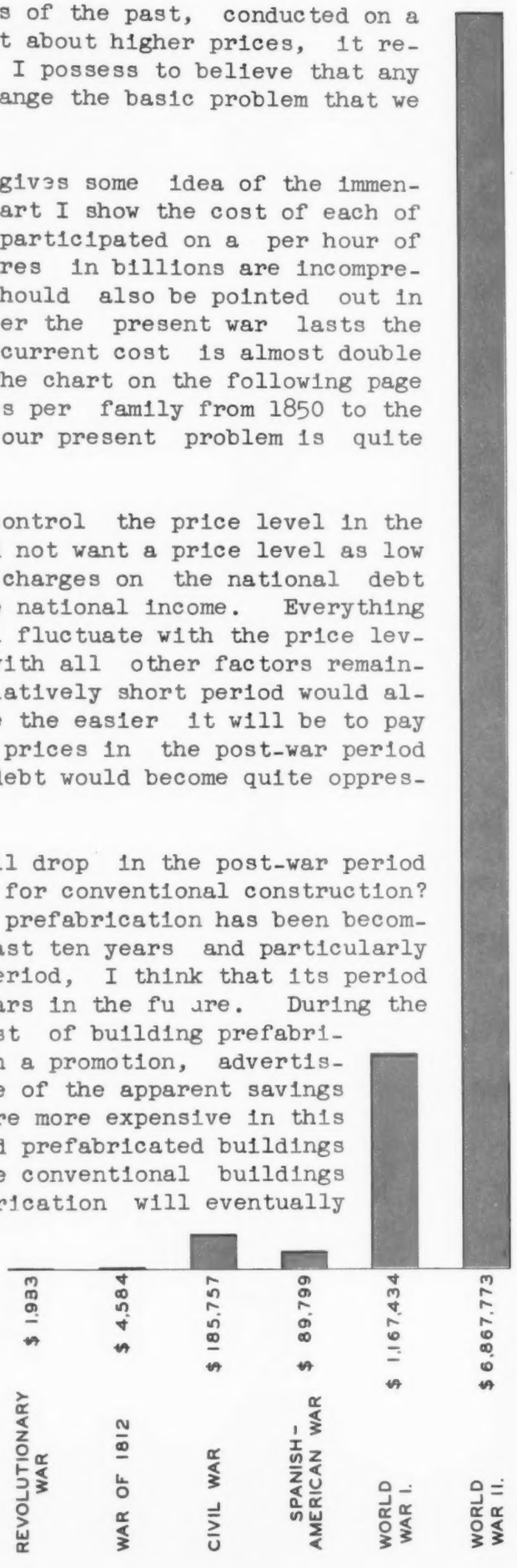
have caused price inflations. If the wars of the past, conducted on a relatively inexpensive scale, have brought about higher prices, it requires a greater degree of credulity than I possess to believe that any group of theorists in Washington can so change the basic problem that we can avoid at least a moderate inflation.

The chart at the bottom of this page gives some idea of the immensity of our financing problem. On this chart I show the cost of each of the wars in which the United States has participated on a per hour of war basis. I have used this basis as figures in billions are incomprehensible to most anti-New Dealers. It should also be pointed out in connection with this chart that the longer the present war lasts the higher its cost per hour will be, as the current cost is almost double the cost for the entire period to date. The chart on the following page shows the Federal debt in the United States per family from 1850 to the present and here, too, the immensity of our present problem is quite striking.

Even though the New Dealers could control the price level in the post-war period, in my opinion they would not want a price level as low as the one we now have as the interest charges on the national debt would take too large a percentage of the national income. Everything else being equal, the national income will fluctuate with the price level and if the price level were to double with all other factors remaining the same, the national income in a relatively short period would also double. The higher the national income the easier it will be to pay the interest on the debt, but if general prices in the post-war period were to drop the interest charges on the debt would become quite oppressive.

Can it be that replacement costs will drop in the post-war period due to the substitution of prefabrication for conventional construction? I do not think so. While I realize that prefabrication has been becoming a more important element during the past ten years and particularly under government impetus during the war period, I think that its period of major activity is still a number of years in the future. During the war period without a sales problem the cost of building prefabricated buildings has been lowered, but with a promotion, advertising and sales expense after the war, some of the apparent savings will disappear. If materials and labor are more expensive in this period it will be quite difficult to build prefabricated buildings at a price below the level of comparable conventional buildings now on the market. In my opinion prefabrication will eventually reduce the cost of construction and supplant much conventional construction but we have not yet reached that point nor will we reach it until the post-war period is far advanced, if we reach it then.

I have charted wages in the United States from 1800 to the present and I have found that they rise during each war period and that most of the rise is retained in the period that follows.

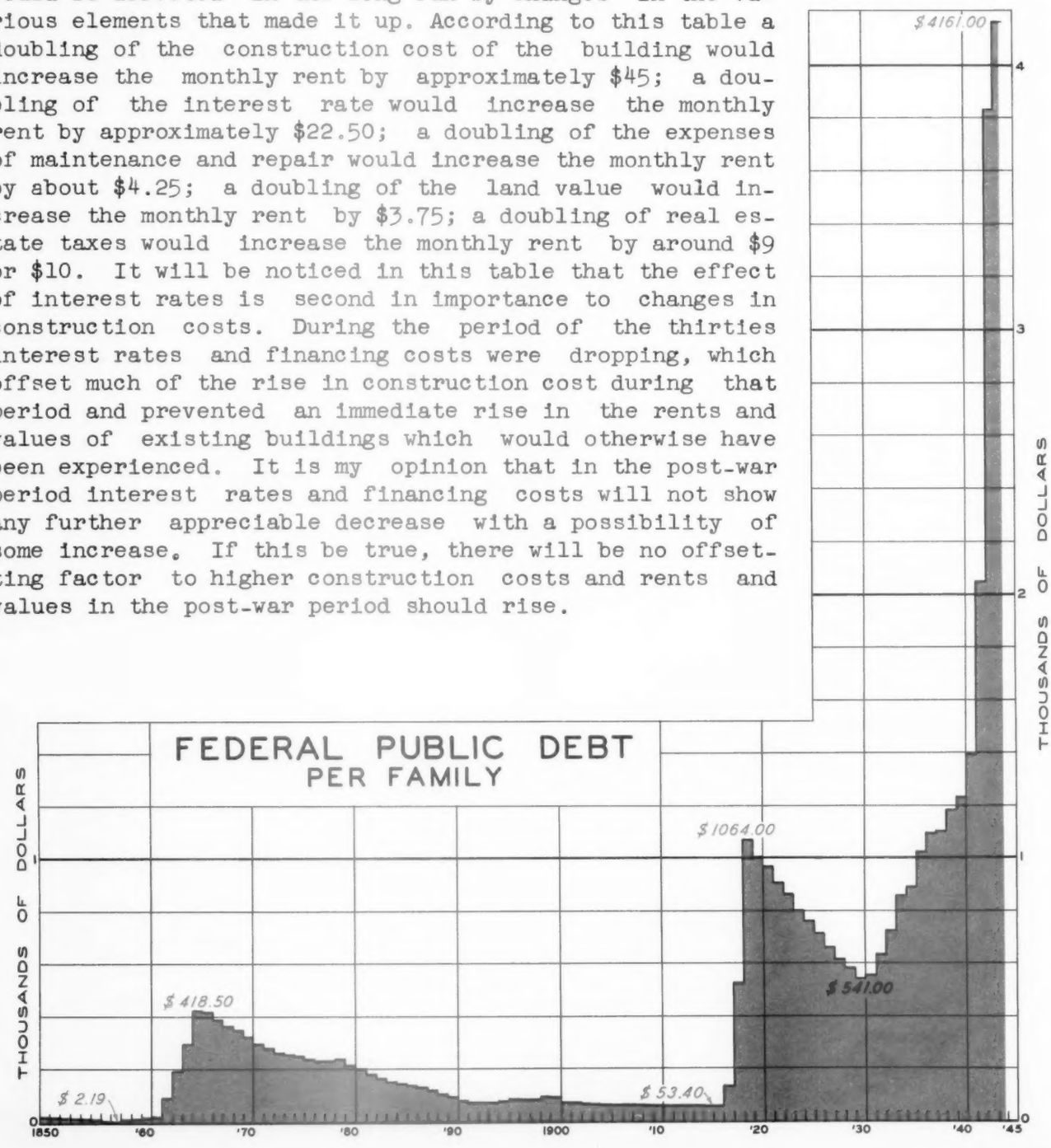


This will in all probability occur again and the high wage rates developed during the war will continue but the purchasing power of these high wages will decrease.

From the foregoing it seems to me that high replacement costs can be expected in the post-war period.

II. MORTGAGE INTEREST RATES

Mortgage interest rates play a large part in determining the monthly cost of ownership. In order to show the relative importance of the various elements in rent the bulletin of November 25, 1941, referred to at the beginning of this article, showed how the rent of a residence renting for $50 a month would be affected in the long run by changes in the various elements that made it up. According to this table a doubling of the construction cost of the building would increase the monthly rent by approximately $45; a doubling of the interest rate would increase the monthly rent by approximately $22.50; a doubling of the expenses of maintenance and repair would increase the monthly rent by about $4.25; a doubling of the land value would increase the monthly rent by $3.75; a doubling of real estate taxes would increase the monthly rent by around $9 or $10. It will be noticed in this table that the effect of interest rates is second in importance to changes in construction costs. During the period of the thirties interest rates and financing costs were dropping, which offset much of the rise in construction cost during that period and prevented an immediate rise in the rents and values of existing buildings which would otherwise have been experienced. It is my opinion that in the post-war period interest rates and financing costs will not show any further appreciable decrease with a possibility of some increase. If this be true, there will be no offsetting factor to higher construction costs and rents and values in the post-war period should rise.



As soon as the United States entered the First World War mortgage interest rates rose quite sharply and stayed up for a period of more than 11 years. I do not anticipate a similar rise this time as I believe that much of it can be prevented by manipulation but I am quite skeptical as to the possibility of reducing interest rates by any appreciable amount from their present level.

III. COST OF FINANCING

In my opinion the cost of financing in the early post-war period will not vary greatly from the present rate. By cost of financing I mean commissions and discounts on mortgage loans and other expenses incidental to securing the necessary financing. The big drop came in financing costs when the FHA made the second and third mortgage more or less obsolete. As financing costs are now practically at bedrock I do not see how any further economy here could lower the price of the post-war buildings.

IV. REAL ESTATE TAXES

It seems to me that in the post-war period real estate taxes in most cities must necessarily be higher than they are now. This will be due to the increased cost of local government which in turn will be brought about by higher salaries and higher prices for materials which must be purchased.

V. LAND COSTS

I believe that the cost of land suitable for building will increase slightly in the post-war period as this land always sells at its highest price when building is at the highest level. However, I do not anticipate a very large increase in land values as there is too much land readily available at the present time in every city of any size. Whatever is practically unlimited in quantity will always be rather limited in price.

Let us now put these five factors together in an effort to estimate post-war probabilities. You will notice that I say probabilities because almost anything is possible but the wise business man has to lay his plans on what is most probable. It seems to me that building costs in the post-war period will be considerably higher than they are at present. This means that with rents and values at their present level, buildings would not be worth what they cost to build, which means that new building will get under way very slowly at first and that in growing communities the demand, especially with returning service men, will exceed the supply. This will cause rents and values to rise as soon as rent control is removed and they will continue to rise until a new house can be built in competition with one already standing. Values on existing properties can never exceed this point for very long. The increased construction cost in my opinion will not be offset by a lower interest rate nor by lower financing costs. A slight upward movement in real estate taxes and in land costs would force values on growing communities slightly higher than they would otherwise go before sufficient incentive is developed for any large volume of building. How high real estate prices go in the post-war period in my opinion will depend primarily on the length of the war and on the eventual level of general inflation. There is no way at the present time of determining either of these factors.

ROY WENZLICK